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THE DEPARTMENT OF STATE

PAPERS RELATING TO THE  
FOREIGN RELATIONS  
OF THE UNITED STATES

1919

(IN TWO VOLUMES)

VOLUME I



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## MESSAGE OF THE PRESIDENT OF THE UNITED STATES TO CONGRESS, DECEMBER 2, 1919

TO THE SENATE AND HOUSE OF REPRESENTATIVES:

I sincerely regret that I cannot be present at the opening of this session of the Congress. I am thus prevented from presenting in as direct a way as I could wish the many questions that are pressing for solution at this time. Happily, I have had the advantage of the advice of the heads of the several executive departments who have kept in close touch with affairs in their detail and whose thoughtful recommendations I earnestly second.

In the matter of the railroads and the readjustment of their affairs growing out of federal control, I shall take the liberty at a later date of addressing you.

I hope that Congress will bring to a conclusion at this session legislation looking to the establishment of a budget system. That there should be one single authority responsible for the making of all appropriations and that appropriations should be made not independently of each other, but with reference to one single comprehensive plan of expenditure properly related to the nation's income, there can be no doubt. I believe the burden of preparing the budget must, in the nature of the case, if the work is to be properly done and responsibility concentrated instead of divided, rest upon the executive. The budget so prepared should be submitted to and approved or amended by a single committee of each House of Congress and no single appropriation should be made by the Congress, except such as may have been included in the budget prepared by the executive or added by the particular committee of Congress charged with the budget legislation.

Another and not less important aspect of the problem is the ascertainment of the economy and efficiency with which the moneys appropriated are expended. Under existing law the only audit is for the purpose of ascertaining whether expenditures have been lawfully made within the appropriations. No one is authorized or equipped to ascertain whether the money has been spent wisely, economically and effectively. The auditors should be highly trained officials with permanent tenure in the Treasury Department, free of obligations to or motives of consideration for this or any subsequent administration, and authorized and empowered to examine into and make report upon the methods employed and the results obtained by the executive

departments of the Government. Their reports should be made to the Congress and to the Secretary of the Treasury.

I trust that the Congress will give its immediate consideration to the problem of future taxation. Simplification of the income and profits taxes has become an immediate necessity. These taxes performed indispensable service during the war. They must, however, be simplified, not only to save the taxpayer inconvenience and expense, but in order that his liability may be made certain and definite.

With reference to the details of the Revenue Law, the Secretary of the Treasury and the Commissioner of Internal Revenue will lay before you for your consideration certain amendments necessary or desirable in connection with the administration of the law—recommendations which have my approval and support. It is of the utmost importance that in dealing with this matter the present law should not be disturbed so far as regards taxes for the calendar year 1920, payable in the calendar year 1921. The Congress might well consider whether the higher rates of income and profits taxes can in peace times be effectively productive of revenue, and whether they may not, on the contrary, be destructive of business activity and productive of waste and inefficiency. There is a point at which in peace times high rates of income and profits taxes discourage energy, remove the incentive to new enterprise, encourage extravagant expenditures and produce industrial stagnation with consequent unemployment and other attendant evils.

The problem is not an easy one. A fundamental change has taken place with reference to the position of America in the world's affairs. The prejudice and passions engendered by decades of controversy between two schools of political and economic thought,—the one believers in protection of American industries, the other believers in tariff for revenue only,—must be subordinated to the single consideration of the public interest in the light of utterly changed conditions. Before the war America was heavily the debtor of the rest of the world and the interest payments she had to make to foreign countries on American securities held abroad, the expenditures of American travelers abroad and the ocean freight charges she had to pay to others, about balanced the value of her pre-war favorable balance of trade. During the war America's exports have been greatly stimulated, and increased prices have increased their value. On the other hand, she has purchased a large proportion of the American securities previously held abroad, has loaned some \$9,000,000,000 to foreign governments, and has built her own ships. Our favorable balance of trade has thus been greatly increased and Europe has been deprived of the means of meeting it heretofore existing. Europe can have only three ways of meeting the favorable balance of trade in

peace times: by imports into this country of gold or of goods, or by establishing new credits. Europe is in no position at the present time to ship gold to us nor could we contemplate large further imports of gold into this country without concern. The time has nearly passed for international governmental loans and it will take time to develop in this country a market for foreign securities. Anything, therefore, which would tend to prevent foreign countries from settling for our exports by shipments of goods into this country could only have the effect of preventing them from paying for our exports and therefore of preventing the exports from being made. The productivity of the country greatly stimulated by the war must find an outlet by exports to foreign countries and any measures taken to prevent imports will inevitably curtail exports, force curtailment of production, load the banking machinery of the country with credits to carry unsold products and produce industrial stagnation and unemployment. If we want to sell, we must be prepared to buy. Whatever, therefore, may have been our views during the period of growth of American business concerning tariff legislation, we must now adjust our own economic life to a changed condition growing out of the fact that American business is full grown and that America is the greatest capitalist in the world.

No policy of isolation will satisfy the growing needs and opportunities of America. The provincial standards and policies of the past, which have held American business as if in a strait-jacket, must yield and give way to the needs and exigencies of the new day in which we live, a day full of hope and promise for American business, if we will but take advantage of the opportunities that are ours for the asking. The recent war has ended our isolation and thrown upon us a great duty and responsibility. The United States must share the expanding world market. The United States desires for itself only equal opportunity with the other nations of the world, and that through the process of friendly cooperation and fair competition the legitimate interests of the nations concerned may be successfully and equitably adjusted.

There are other matters of importance upon which I urged action at the last session of Congress which are still pressing for solution. I am sure it is not necessary for me again to remind you that there is one immediate and very practicable question resulting from the war which we should meet in the most liberal spirit. It is a matter of recognition and relief to our soldiers. I can do no better than to quote from my last message urging this very action:

“We must see to it that our returning soldiers are assisted in every practicable way to find the places for which they are fitted in the daily work of the country. This can be done by developing and



maintaining upon an adequate scale the admirable organization created by the Department of Labor for placing men seeking work; and it can also be done, in at least one very great field, by creating new opportunities for individual enterprise. The Secretary of the Interior has pointed out the way by which returning soldiers may be helped to find and take up land in the hitherto undeveloped regions of the country which the Federal Government has already prepared or can readily prepare for cultivation and also on many of the cutover or neglected areas which lie within the limits of the older states; and I once more take the liberty of recommending very urgently that his plans shall receive the immediate and substantial support of the Congress."

In the matter of tariff legislation, I beg to call your attention to the statements contained in my last message urging legislation with reference to the establishment of the chemical and dyestuffs industry in America:

"Among the industries to which special consideration should be given is that of the manufacture of dyestuffs and related chemicals. Our complete dependence upon German supplies before the war made the interruption of trade a cause of exceptional economic disturbance. The close relation between the manufacture of dyestuffs, on the one hand, and of explosives and poisonous gases, on the other, moreover, has given the industry an exceptional significance and value. Although the United States will gladly and unhesitatingly join in the programme of international disarmament, it will, nevertheless, be a policy of obvious prudence to make certain of the successful maintenance of many strong and well-equipped chemical plants. The German chemical industry, with which we will be brought into competition, was and may well be again, a thoroughly knit monopoly capable of exercising a competition of a peculiarly insidious and dangerous kind."

During the war the farmer performed a vital and willing service to the nation. By materially increasing the production of his land, he supplied America and the Allies with the increased amounts of food necessary to keep their immense armies in the field. He indispensably helped to win the war. But there is now scarcely less need of increasing the production in food and the necessaries of life. I ask the Congress to consider means of encouraging effort along these lines. The importance of doing everything possible to promote production along economical lines, to improve marketing, and to make rural life more attractive and healthful, is obvious. I would urge approval of the plans already proposed to the Congress by the Secretary of Agriculture, to secure the essential facts required for the proper study of this question, through the proposed enlarged programmes for farm management studies and crop estimates. I would urge, also, the continuance of federal participation in the building of good roads, under the terms of existing law and under the direc-

tion of present agencies; the need of further action on the part of the States and the Federal Government to preserve and develop our forest resources, especially through the practice of better forestry methods on private holdings and the extension of the publicly owned forests; better support for country schools and the more definite direction of their courses of study along lines related to rural problems; and fuller provision for sanitation in rural districts and the building up of needed hospital and medical facilities in these localities. Perhaps the way might be cleared for many of these desirable reforms by a fresh, comprehensive survey made of rural conditions by a conference composed of representatives of the farmers and of the agricultural agencies responsible for leadership.

I would call your attention to the widespread condition of political restlessness in our body politic. The causes of this unrest, while various and complicated, are superficial rather than deep seated. Broadly, they arise from or are connected with the failure on the part of our Government to arrive speedily at a just and permanent peace permitting return to normal conditions, from the transfusion of radical theories from seething European centers pending such delay, from heartless profiteering resulting in the increase of the cost of living, and lastly from the machinations of passionate and malevolent agitators. With the return to normal conditions, this unrest will rapidly disappear. In the meantime, it does much evil. It seems to me that in dealing with this situation Congress should not be impatient or drastic but should seek rather to remove the causes. It should endeavor to bring our country back speedily to a peace basis, with ameliorated living conditions under the minimum of restrictions upon personal liberty that is consistent with our reconstruction problems. And it should arm the Federal Government with power to deal in its criminal courts with those persons who by violent methods would abrogate our time-tested institutions. With the free expression of opinion and with the advocacy of orderly political change, however fundamental, there must be no interference, but towards passion and malevolence tending to incite crime and insurrection under guise of political evolution there should be no leniency. Legislation to this end has been recommended by the Attorney General and should be enacted. In this direct connection, I would call your attention to my recommendations on August 8th, pointing out legislative measures which would be effective in controlling and bringing down the present cost of living, which contributes so largely to this unrest. On only one of these recommendations has the Congress acted. If the Government's campaign is to be effective, it is necessary that the other steps suggested should be acted on at once.

I renew and strongly urge the necessity of the extension of the present Food Control Act as to the period of time in which it shall remain in operation. The Attorney General has submitted a bill providing for an extension of this Act for a period of six months. As it now stands it is limited in operation to the period of the war and becomes inoperative upon the formal proclamation of peace. It is imperative that it should be extended at once. The Department of Justice has built up extensive machinery for the purpose of enforcing its provisions; all of which must be abandoned upon the conclusion of peace unless the provisions of this Act are extended.

During this period the Congress will have an opportunity to make similar, permanent provisions and regulations with regard to all goods destined for interstate commerce and to exclude them from interstate shipment, if the requirements of the law are not complied with. Some such regulation is imperatively necessary. The abuses that have grown up in the manipulation of prices by the withholding of foodstuffs and other necessities of life cannot otherwise be effectively prevented. There can be no doubt of either the necessity or the legitimacy of such measures.

As I pointed out in my last message, publicity can accomplish a great deal in this campaign. The aims of the Government must be clearly brought to the attention of the consuming public, civic organizations and state officials, who are in a position to lend their assistance to our efforts. You have made available funds with which to carry on this campaign, but there is no provision in the law authorizing their expenditure for the purpose of making the public fully informed about the efforts of the Government. Specific recommendation has been made by the Attorney General in this regard. I would strongly urge upon you its immediate adoption, as it constitutes one of the preliminary steps to this campaign.

I also renew my recommendation that the Congress pass a law regulating cold storage as it is regulated, for example, by the laws of the State of New Jersey, which limit the time during which goods may be kept in storage, prescribe the method of disposing of them if kept beyond the permitted period, and require that goods released from storage shall in all cases bear the date of their receipt. It would materially add to the serviceability of the law, for the purpose we now have in view, if it were also prescribed that all goods released from storage for interstate shipment should have plainly marked upon each package the selling or market price at which they went into storage. By this means the purchaser would always be able to learn what profits stood between him and the producer or the wholesale dealer.

I would also renew my recommendation that all goods destined for interstate commerce should in every case, where their form or package makes it possible, be plainly marked with the price at which they left the hands of the producer.

We should formulate a law requiring a federal license of all corporations engaged in interstate commerce and embodying in the license, or in the conditions under which it is to be issued, specific regulations designed to secure competitive selling and prevent unconscionable profits in the method of marketing. Such a law would afford a welcome opportunity to effect other much needed reforms in the business of interstate shipment and in the methods of corporations which are engaged in it; but for the moment I confine my recommendations to the object immediately in hand, which is to lower the cost of living.

No one who has observed the march of events in the last year can fail to note the absolute need of a definite programme to bring about an improvement in the conditions of labor. There can be no settled conditions leading to increased production and a reduction in the cost of living if labor and capital are to be antagonists instead of partners. Sound thinking and an honest desire to serve the interests of the whole nation, as distinguished from the interests of a class, must be applied to the solution of this great and pressing problem. The failure of other nations to consider this matter in a vigorous way has produced bitterness and jealousies and antagonisms, the food of radicalism. The only way to keep men from agitating against grievances is to remove the grievances. An unwillingness even to discuss these matters produces only dissatisfaction and gives comfort to the extreme elements in our country which endeavor to stir up disturbances in order to provoke governments to embark upon a course of retaliation and repression. The seed of revolution is repression. The remedy for these things must not be negative in character. It must be constructive. It must comprehend the general interest. The real antidote for the unrest which manifests itself is not suppression, but a deep consideration of the wrongs that beset our national life and the application of a remedy.

Congress has already shown its willingness to deal with these industrial wrongs by establishing the eight-hour day as the standard in every field of labor. It has sought to find a way to prevent child labor. It has served the whole country by leading the way in developing the means of preserving and safeguarding lives and health in dangerous industries. It must now help in the difficult task of finding a method that will bring about a genuine democratization of industry, based upon the full recognition of the right of those who

work, in whatever rank, to participate in some organic way in every decision which directly affects their welfare. It is with this purpose in mind that I called a conference to meet in Washington on December 1st, to consider these problems in all their broad aspects, with the idea of bringing about a better understanding between these two interests.

The great unrest throughout the world, out of which has emerged a demand for an immediate consideration of the difficulties between capital and labor, bids us put our own house in order. Frankly, there can be no permanent and lasting settlements between capital and labor which do not recognize the fundamental concepts for which labor has been struggling through the years. The whole world gave its recognition and endorsement to these fundamental purposes in the League of Nations. The statesmen gathered at Versailles recognized the fact that world stability could not be had by reverting to industrial standards and conditions against which the average workman of the world had revolted. It is, therefore, the task of the statesmen of this new day of change and readjustment to recognize world conditions and to seek to bring about, through legislation, conditions that will mean the ending of age-long antagonisms between capital and labor and that will hopefully lead to the building up of a comradeship which will result not only in greater contentment among the mass of workmen but also bring about a greater production and a greater prosperity to business itself.

To analyze the particulars in the demands of labor is to admit the justice of their complaint in many matters that lie at their basis. The workman demands an adequate wage, sufficient to permit him to live in comfort, unhampered by the fear of poverty and want in his old age. He demands the right to live and the right to work amidst sanitary surroundings, both in home and in workshop, surroundings that develop and do not retard his own health and well-being; and the right to provide for his children's wants in the matter of health and education. In other words, it is his desire to make the conditions of his life and the lives of those dear to him tolerable and easy to bear.

The establishment of the principles regarding labor laid down in the covenant of the League of Nations offers us the way to industrial peace and conciliation. No other road lies open to us. Not to pursue this one is longer to invite enmities, bitterness, and antagonisms which in the end only lead to industrial and social disaster. The unwilling workman is not a profitable servant. An employee whose industrial life is hedged about by hard and unjust conditions, which he did not create and over which he has no control, lacks that fine spirit of enthusiasm and volunteer effort which are the necessary

ingredients of a great producing entity. Let us be frank about this solemn matter. The evidences of world-wide unrest which manifest themselves in violence throughout the world bid us pause and consider the means to be found to stop the spread of this contagious thing before it saps the very vitality of the nation itself. Do we gain strength by withholding the remedy? Or is it not the business of statesmen to treat these manifestations of unrest which meet us on every hand as evidences of an economic disorder and to apply constructive remedies wherever necessary, being sure that in the application of the remedy we touch not the vital tissues of our industrial and economic life? There can be no recession of the tide of unrest until constructive instrumentalities are set up to stem that tide.

Governments must recognize the right of men collectively to bargain for humane objects that have at their base the mutual protection and welfare of those engaged in all industries. Labor must not be longer treated as a commodity. It must be regarded as the activity of human beings, possessed of deep yearnings and desires. The business man gives his best thought to the repair and replenishment of his machinery, so that its usefulness will not be impaired and its power to produce may always be at its height and kept in full vigor and motion. No less regard ought to be paid to the human machine, which after all propels the machinery of the world and is the great dynamic force that lies back of all industry and progress. Return to the old standards of wage and industry in employment are unthinkable. The terrible tragedy of war which has just ended and which has brought the world to the verge of chaos and disaster would be in vain if there should ensue a return to the conditions of the past. Europe itself, whence has come the unrest which now holds the world at bay, is an example of standpatism in these vital human matters which America might well accept as an example, not to be followed but studiously to be avoided. Europe made labor the differential, and the price of it all is enmity and antagonism and prostrated industry. The right of labor to live in peace and comfort must be recognized by governments and America should be the first to lay the foundation stones upon which industrial peace shall be built.

Labor not only is entitled to an adequate wage, but capital should receive a reasonable return upon its investment and is entitled to protection at the hands of the government in every emergency. No government worthy of the name can "play" these elements against each other, for there is a mutuality of interest between them which the government must seek to express and to safeguard at all cost.

The right of individuals to strike is inviolate and ought not to be interfered with by any process of government, but there is a predominant right and that is the right of the government to protect all of its people and to assert its power and majesty against the challenge of any class. The government, when it asserts that right, seeks not to antagonize a class but simply to defend the right of the whole people as against the irreparable harm and injury that might be done by the attempt by any class to usurp a power that only government itself has a right to exercise as a protection to all.

In the matter of international disputes which have led to war, statesmen have sought to set up as a remedy arbitration for war. Does this not point the way for the settlement of industrial disputes, by the establishment of a tribunal, fair and just alike to all, which will settle industrial disputes which in the past have led to war and disaster? America, witnessing the evil consequences which have followed out of such disputes between these contending forces, must not admit itself impotent to deal with these matters by means of peaceful processes. Surely, there must be some method of bringing together in a council of peace and amity these two great interests, out of which will come a happier day of peace and cooperation, a day that will make men more hopeful and enthusiastic in their various tasks, that will make for more comfort and happiness in living and a more tolerable condition among all classes of men. Certainly human intelligence can devise some acceptable tribunal for adjusting the differences between capital and labor.

This is the hour of test and trial for America. By her prowess and strength, and the indomitable courage of her soldiers, she demonstrated her power to vindicate on foreign battlefields her conceptions of liberty and justice. Let not her influence as a mediator between capital and labor be weakened and her own failure to settle matters of purely domestic concern be proclaimed to the world. There are those in this country who threaten direct action to force their will upon a majority. Russia today, with its blood and terror, is a painful object lesson of the power of minorities. It makes little difference what minority it is; whether capital or labor, or any other class; no sort of privilege will ever be permitted to dominate this country. We are a partnership or nothing that is worth while. We are a democracy, where the majority are the masters, or all the hopes and purposes of the men who founded this government have been defeated and forgotten. In America there is but one way by which great reforms can be accomplished and the relief sought by classes obtained, and that is through the orderly processes of representative government. Those who would propose any other method of reform are enemies of this country. America will not be daunted by threats

nor lose her composure or calmness in these distressing times. We can afford, in the midst of this day of passion and unrest, to be self-contained and sure. The instrument of all reform in America is the ballot. The road to economic and social reform in America is the straight road of justice to all classes and conditions of men. Men have but to follow this road to realize the full fruition of their objects and purposes. Let those beware who would take the shorter road of disorder and revolution. The right road is the road of justice and orderly process.

WOODROW WILSON

THE WHITE HOUSE,  
*2 December, 1919.*





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## GENERAL

### REPRESENTATION OF THE UNITED STATES IN THE PEACE CONFERENCE AND RELATED INTERNATIONAL BODIES<sup>1</sup>

Representation on the Supreme Council (Council of the Heads of Delegations) and the Interim Reparation Commission (Organization Committee of the Reparation Commission)—Refusal to Participate in Setting Up Commissions under the Treaty of Versailles—Discontinuance of Representation on the Supreme Economic Council—Departure of the American Commission from Paris, December 9, 1919—Designation of Ambassador Wallace as Observer on the Supreme Council, December 8; on the Committee of Ambassadors, January 9, 1920—Unofficial Representation on the Reparation Commission and the Rhineland High Commission

763.72119/5518 : Telegram

*The Commission to Negotiate Peace to the Acting Secretary of State*

[Extract]

PARIS, July 4, 1919, 2 a.m.

[Received 10.19 a.m.]

2960. Confidential. On invitation of Monsieur Clemenceau heads of delegations met in M. Pichon's office at the Quai d'Orsay July 1st. in the afternoon to discuss procedure and organizations. It was decided that for the time being a Council of Heads [of] Delegations should meet daily to carry on the work of the Council of the Principal Allied and Associated Powers. This Council will consist of M. Pichon, Mr. Lansing,<sup>2</sup> Mr. Balfour, Mr. Tittoni and Baron Makino.

The Council met yesterday afternoon at the Quai d'Orsay. M. Tardieu acted chairman in the absence of M. Pichon whose presence was required in the Chamber of Deputies.

2. The members of the Council gave the names of the representatives of their respective delegations appointed on the commission to supervise the execution of the treaty of peace with Germany. Mr. John Foster Dulles was named for the United States.

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<sup>1</sup> The papers included in this section cover only the period following the signature of the treaty with Germany and President Wilson's departure from Paris. Temporary missions of investigation, etc., dispatched by the Conference are disregarded.

The files of the Peace Commission have been used to supply bracketed corrections wherever telegrams from the Commission have been received in a garbled condition.

<sup>2</sup> Replaced by Frank Lyon Polk; see telegram to the Commission, July 19, p. 3.



3. The Council appointed and nominated the members of a committee to organize the Reparations Commission provided for in the treaty of peace with Germany. Mr. John Foster Dulles was appointed for the United States. The committee was also authorized to discuss with the German delegation questions which the latter might desire to bring up in this connection.

Lansing  
AMERICAN MISSION

763.72119/5521 : Telegram

*The Commission to Negotiate Peace to the Acting Secretary of State*

PARIS, July 4, 1919, 5 p.m.

[Received July 5, 12.11 a.m.]

2964. Will you please confidentially communicate the following from Dulles to Baruch, Davis, Lamont and McCormick who will arrive with the President.

“On the proposal of Clemenceau the Supreme Council has created an Interim Reparation Commission to inaugurate in an informal manner the work of the permanent commission contemplated by the treaty. The members of Interim Commission are Loucheur, Crespi. Peel, De Cartier and myself with [Mori] designated by Japan to act when questions entitling Japan to representation are under consideration. The first meeting of the Interim Commission was held July 3, Loucheur being elected chairman. It was decided to look into the matter of securing permanent offices to be occupied by the Interim [*sic*] Commission when appointed. It was understood that the Interim Commission could assume no financial obligations, but Loucheur stated that if the Interim Commission approved of the selection of permanent offices and if it were necessary to act at once to secure them, the French Government would be prepared to do so entirely on its own risk. The Interim Commission also decided to establish at once a secretariat which might be taken over by the permanent commission.

The Supreme Council has authorized the carrying on of informal conversations with the Germans relative to reparations, which conversations have already been invited by the Germans. The Interim Reparation Commission accordingly decided to confer with the Germans at Versailles, probably July 5th, to hear what the Germans might have to say and ascertain:

- (a) The willingness of the Germans to supply labor to replace prisoners to be repatriated.
- (b) The attitude of Germany toward the immediate restitution and reparation in kind required by the treaty and any suggestions of a practical nature the Germans might have to make relative to facilitating the performance of the treaty in this respect.

- (c) The character of the proposals which the Germans intimate they are prepared to make relative to the restoration by Germany on a large scale of the devastated areas of France and Belgium.
- (d) The requirements of the Germans themselves for minette ore.

You will appreciate from the foregoing that the reparation work is developing very rapidly and it becomes increasingly important that permanent United States representatives be here at the earliest possible moment. With the staff which is at present at Paris, and which is daily being depleted, it is impossible for me to deal adequately with the matters which are coming up for discussion and many of which are technical in character. Even were this not the case the present work should be handled by those who can be here permanently. Otherwise these latter will be at a great disadvantage and will find many of the most important questions of policy prejudged. We cannot well ask France and Belgium to defer consideration of these problems. Their interests are too great and their need is too pressing.

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AMERICAN MISSION

763.72119P43/550a : Telegram

*The Acting Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, July 19, 1919, 3 p.m.

2601. Under Secretary of State Frank Lyon Polk has been appointed by the President a Commissioner Plenipotentiary of the United States to Negotiate Peace and designated as the senior member of the Commission, to act as Chairman upon his arrival in Paris. He sails from New York on the Steamship *Imperator* July 21.

PHILLIPS

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763.72119/5712 : Telegram

*The Commission to Negotiate Peace to the Acting Secretary of State*

PARIS, July 20, 1919, 4 a.m.

[Received 5.06 p. m.]

3235. It was our understanding that the President, at about the time of his departure, expressed the view that there should be no participation by the United States in the work of setting up commissions provided for by the treaty until ratification of the treaty by the Senate. There are certain obvious difficulties in a literal application of this policy, which, it seems to us, we are warranted in bringing to your attention, so that we may be assured of knowing the precise views of the President with reference to the actual situation which confronts us and in which we are subjected to very considerable pressure by our colleagues.

The treaty provides that nearly all of the commissions begin their duties within 15 [days] after the coming into force of the treaty. On account of the unsettled conditions in large parts of Europe it is necessary that the boundary commissions, plebiscite governing commissions, etc., should be prepared to undertake their duties within the time specified, especially as areas will be evacuated by German passport [*troops*] and administrative officials, leaving no adequate provisions for local government. Delay in arrival of the commissions may involve serious local unrest which in turn may require the despatch of Allied forces. The smaller states are entitled to protection in these matters and probably will not be satisfied with commissions without the American members prescribed by the treaty. On the other hand Germany can and probably will insist that the commissions shall not start upon their work without these American members. In the matter of arbitration, particularly concerning rivercraft and railway matters, commerce in Europe will be greatly impeded through lack of decision in cases where the United States is, by the treaty, to name the umpires.

In order that these commissions and arbitral bodies may be able to enter upon their duties within the time specified by the treaty, not only must personnel be selected, but opportunity afforded for acquainting such personnel with the character of their duties and the history of the treaty clauses which they will be called upon to enforce. In discussion with our associates we have hitherto taken the position that while no definite appointments would be made by the United States except after ratification by the Senate, we would take informal preparatory steps necessary to enable us punctually to carry out our obligations in the event of ratification. If we are not to do so, we feel we should frankly so state.

It may also be pointed out that the treaty becomes effective when ratified by three principal powers, which may take place before America ratifies. Whether we ratify or not the small states and Germany will doubtless demand American representation on the treaty commissions, and it is suggested that we might meet such demands, as it is not unusual for the United States to designate arbitrators, et cetera, to act under treaties to which the United States is not a party.

The rapid withdrawal of American Army officers from Europe, many of whom are adapted for positions which, under the treaty, the United States is required to suspend [*fill*], will make it extremely difficult for us to perform the obligations above referred to, unless action is now taken to hold in Europe suitable officers. Authority requested, therefore, to make immediately, temporary selections here for all of these positions except for League of Nations Commission

and the more important positions in other commissions, as the Reparation Commission and the Rhineland Commission. Such selections would, of course, be subject to any necessary approval or change upon the Senate having acted on the treaty. The persons selected would be able [*authorized*] to participate, if desirable [*informally*], in deliberations with their colleagues without binding the United States but merely assisting in preliminary discussion and preparation in order to become fully informed and ready to take part if and when they are formally appointed.

This authority will further involve the granting of additional funds to the Peace Commission.

A related and equally important matter is that of Hoover's economic commissions in control of the railways of central and eastern Europe, the Danube, Elbe and Vistula; his commissions in control of coal distribution of practically all central European coal fields; and his telegraphic communications syndicates [*system,*] upon which we greatly rely for communication with eastern Europe. All of these are necessarily about to demobilize because of the exhaustion of his funds and expiration of his office. He is endeavoring to hold on until the Austrian treaty is signed, although he has no adequate resources for payment of salaries and expenses. The various commissions created by the treaty of peace will, to a great extent, replace Hoover's economic administration which is very important for economic cooperation of central Europe, and, if authority is given to make selection for treaty positions as above requested, we can, in large measure, bring about an orderly transfer of the relief work to treaty bodies. If, however, his commissions are withdrawn before the various permanent commissions under the treaty are set up, [we] might jeopardize the good effects of the work already accomplished and increase the danger of economic chaos. Hoover states that if we can quickly install the new regime it will cover this situation.

General Bliss says that Marshal Foch has informed him that the general scheme for organization of the commissions of control, charged with supervising the disarmament of Germany, calls for an American general as president [of] a subcommittee on the disarmament of fortifications, and that he has requested the immediate designation of this officer. General Bliss informed the Marshal that he has no power to consider this question and that the officer must be appointed at the proper time by the Government in Washington. To this, the Marshal replied that it is absolutely necessary to make the appointment now in order that the commission may organize and block out its work. General Bliss suggests that in case an American officer cannot be designated prior to ratification of the

treaty by the Senate, he be directed to inform the Marshal that an officer of some other nationality must be selected as president of the sub-commission on fortifications. The American Mission understands that the permanent designations of all American representatives on commissions created by the treaty of peace will be made in Washington and that they shall so inform their colleagues here.

White. Bliss.

AMERICAN MISSION

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763.72119/5848 : Telegram

*The Commission to Negotiate Peace to the Secretary of State*

PARIS, July 28, 1919.

[Received 11.34 p.m.]

3374. We desire to recall to your attention the question of the appointment of a permanent American member of the Inter-Allied High Commission of the Rhenish Territories under article 2 of the Rhineland arrangement. Mr. Pierrepont B. Noyes is the American member at present. White. Bliss.

AMERICAN MISSION

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763.72119/5905 : Telegram

*The Commission to Negotiate Peace to the Secretary of State*

PARIS, July 31, 1919, 3 p.m.

[Received August 1, 12.30 a.m.]

3416. Personal for the Secretary of State from Polk and Dulles: Many of the most important problems with which Mission is now dealing relate to existing [*execution of*] treaty with Germany. As previously reported, an Interim Reparation Committee has been formed which through acute economic situation in Europe has been led already to take up economic problems of great importance to Europe and also, though less directly, to the United States. The coal negotiations of this Commission have been forwarded [by] Mission's 3298, July 24, 6 p.m., and 3320, July 26, 7 p.m.<sup>3</sup> The Allied Maritime Transport Executive in London has now been authorized by Reparation Commission to study the allocation of ceded German ships. German dyestuff experts will be here next week. Broad reconstruction plans are under consideration.

The Committee on Execution of the Treaty with Germany has made a number of reports which the Supreme Council has approved and which emphasize the necessity of immediate action in selecting, provisionally, the members of the commissions so that they

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<sup>3</sup> Neither printed.

can enter promptly and intelligently upon their functions in such disturbed districts as Silesia, Schleswig, Danzig, et cetera.

The committee, dealing with the Rhineland occupation convention, is studying ordinances necessary to be promulgated immediately upon the coming into force of the treaty.

The American member[s] of these and similar Peace Conference committees will be placed in a very embarrassing position unless the United States will be prepared to take part, at least informally, on the permanent commissions upon the coming into force of the treaty; and we consider that unless there is a probability that the American selections for these various commissions can be made promptly, it might even be better for the United States to withdraw at the present time from active participation in all matters relating to the execution of the treaty. Our national prestige and interests will, we consider, be less prejudiced by this course and, from a practical standpoint, the personnel of the Mission is now so depleted, particularly in respect of technical experts, that by attempting to participate in current matters of the character above described we risk committing the United States, at least morally, to courses of action, the full significance of which it is impossible for us adequately to appraise.

Dulles, the American member on the temporary reparation commission, the committee on execution of the treaty and the Rhineland committee, adds that for personal reasons it will be absolutely impossible for him to remain more than a few weeks longer and he would probably feel justified in doing this if it were probable that, by the end of that time, definite selections for the various commissions would be here so that his serving in the interval would afford an easy transition.

In view of this situation we should appreciate your personal advice as to the course which we should follow. Polk. Dulles.

AMERICAN MISSION

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763.72119/5905 : Telegram

*The Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, August 28, 1919, 3 p.m.

2980. Personal for Mr. Polk and Mr. Dulles.

Your 3416, July 31, 3 p.m. and other messages relating directly or indirectly to the same subject. The policy of the Department is as follows: One. United States should not participate in the work of setting up Commissions, etc. until the Treaty is ratified by the United States. Two. There seems to be no reason why United States representatives cannot discuss with representatives of the other Powers

what may be done if and when the Treaty comes into force. Three. Questions regarding the execution of the Treaty and the personnel of the various Commissions, etc., will be studied in the Department, as well as in the American Commission, in order that upon ratification of the Treaty by the United States no unnecessary delay may occur in carrying out the terms thereof. Four. The President is planning to nominate a successor to Mr. Dulles in a few days and Mr. Dulles will be able to confer with him upon his arrival in the United States.

LANSING

763.72119/6723 : Telegram

*The Commission to Negotiate Peace to the Secretary of State*

PARIS, September 13, 1919, 9 p.m.

[Received September 14, 3.16 a.m.]

4197. Meeting Supreme Economic Council is announced to be held Brussels September 18th. Hoover was of opinion before his departure that organization committee of Reparations Commission for the present, and finally Reparations Commission, together with duly constituted sub-commissions acting under these, completely covers field of work originally designed for Supreme Economic Council. Hoover and Dulles announced these views upon their withdrawal and at present we have no representative on Supreme Economic Council. British propose that Supreme Economic Council be reorganized into permanent international economic council with headquarters in London. French lukewarm on British proposal without our participation; Italian and Belgian positions not clear.

Hoover's opinion understood to be: (1) Continued representation on Supreme Economic Council unnecessary as work for which originally designed has now passed to Reparations Commission; (2) that continued representation on Supreme Economic Council would be construed as a tacit consent to the proposed reorganization of this Council into an after war institution which of necessity would mainly occupy itself as a sort of American European board of directors advising how and where we should place our credits and raw materials, and the assumption of a position which is disadvantageous to us and for which there is no reason or obligation for us to accept.

We suggest one of two lines of action:

1. That we officially inform the various Governments represented on Supreme Economic Council that in our opinion the functions originally laid down for this Council, and which were of a very useful and necessary character during the early period of the armistice, have properly passed in their entirety to the organization com-

mittee of the Reparations Commission and finally to the Reparations Commission when established, and that on this account we can see no necessity for the further continuance of our representation on Supreme Economic Council and have therefore decided to withdraw from it.

2. In view of it having been generally accepted that Hoover and Dulles' announcement upon their withdrawal from the Supreme Economic Council, was expressive of the views and policy of our Government, it might be a more conservative line of action to maintain this position by simply refraining from appointing either delegates or secretaries to this Council to fill the existing vacancy. This solution obviates the necessity of any immediate announcement which at this particular time might be misinterpreted, and has additional advantage of postponing to a later date any formal announcement of policy we might consider advisable to make. Hoover and Dulles both in America and can be consulted. Instructions are requested at the earliest moment possible.

Refer also to last paragraph of American Mission's 3492, August 20 [4], 10 p. m.,<sup>4</sup> recommendations of which appear in line with those here suggested. Polk.

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AMERICAN MISSION

763.72119/6723 : Telegram

*The Acting Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, September 16, 1919, 3 p.m.

3139. Your urgent 4197, September 13. After consultation with Hoover and Dulles, the Department approves the second line of action mentioned in your telegram.

PHILLIPS

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763.72119/6989 : Telegram

*The Commission to Negotiate Peace to the Secretary of State*

PARIS, September 27, 1919, 1 p.m.

[Received 8.49 p.m.]

4377. In view of the possible ratification of the treaty of peace with Germany by three of the Principal Allied and Associated Powers within a short time, possibly next week, an important question arises on which our position should be defined as soon and as definitely as possible. In informal conversations, the French specifically claim that such ratification by three powers is sufficient to enable the Reparation Committee to be organized and to operate without the participation of the United States representative. The

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<sup>4</sup> Not printed.



subject has also been raised by the British, who will discuss it at the next meeting of the Interim Reparation Committee.

The question has been considered by Woolsey,<sup>5</sup> and he is inclined to concur with the French view that under the terms of the treaty the Reparation Commission may be organized and dispose of business regardless of whether the United States has ratified the treaty and appointed a representative on the Commission. He states that the treaty does not provide that the Commission shall be composed of any certain number of delegates of the powers. The limitation imposed by annex 2, section 2, paragraph 2, page 107, of the treaty provides that in no case shall more than five powers have the right to participate in the proceedings of the Commission and to record their votes. There is no provision that a power entitled to have a representative on the Commission may have him officiate before that power ratifies the treaty. The fact that on certain questions as specified by section 13, page 106 [110], unanimity is necessary, does not necessarily indicate that all the powers "entitled" to have delegates sit on the Commission must be represented thereon at the time the unanimous vote is taken. When three of the Principal Allied and Associated Powers and Germany deposit their ratifications in Paris, the powers so ratifying have the right to have delegates officiate on the Reparation Commission; but until any other of the seven powers mentioned in section 2 of annex 2 deposit their ratifications, it seems clear they do not have the "right" to take part in the proceedings and are not "entitled" to vote.

The last paragraph of section 2 of annex 2 confers the right on each Government represented on the Commission to withdraw after notice, and after such withdrawal it is clear that the Reparation Commission can still function with less than five members. Moreover section 5 provides that the Commission hold its first meeting in Paris as soon as practicable after the coming into force of the treaty. Finally article 437 covers the possibility of a tie vote where there are only four delegates sitting. All this indicates that it was contemplated that the Commission might function without the presence of representatives of all of the five great powers.

This conclusion is supported by practical considerations. The necessities of the situation of the countries in Europe are so pressing in matters of finance, supplies, trade disorganization, that it cannot be supposed that the most important commission of the German treaty, with unprecedented powers of control over the economic life of Europe, was intended to be, or will be allowed by European

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<sup>5</sup> Lester H. Woolsey, technical expert, American Commission to Negotiate Peace.

powers to be, incapacitated because of the failure of one of the powers to become a party. Any other conclusion would lead practically to the nonexecution of the reparation section of the treaty and this would mean a catastrophe for all concerned.

If these views, which the American Mission [approves], are correct, it is evident that should the United States become a party to the treaty with Germany after considerable delay in ratification, the American delegate on the Reparation Commission would, on taking up his duties, find many policies and principles, and perhaps interpretations of the treaty, already determined by the Commission and in execution by its agents. Perhaps some of these decisions would be such that the United States would prefer not to be bound by them, at least without an opportunity to take part in the discussion and to express its views. The only way which the American Mission sees [to] avoid this situation and for the United States to be in a position to mold the early decisions of the Reparation Commission involving fundamental principles and policies, is to have an unofficial delegate sit with the Commission with the privilege of expressing his views but with no vote. It is therefore recommended that on ratification of three of the Allied and Associated Powers, they could be advised that, pending ratification by the United States, it expects to be represented unofficially on the Commission. American Mission, therefore, earnestly requests that this matter be reconsidered and that it be given instructions and advice on this point as soon as possible.

It is believed that Dresel, as an attaché of the American Embassy, might be instructed to represent the United States unofficially on the Reparation Commission as a part of his diplomatic duties.

A similar question is also up in respect to the other commissions for which provision is made in the treaty with Germany.

American Mission is constantly in receipt of formal requests from other powers that United States should nominate representatives on commissions such as those for Schleswig, Upper Silesia, Allenstein and Marienwerder (see articles 109, 88, 95 and 97, respectively). Of these the first is already functioning and arrangements for the establishment of the three last have been discussed at meetings of a subcommittee of the Committee on Execution of the Treaty Clauses. It is obvious that delay on our part in making provisional nominations after ratification of the treaty by three powers will subject our representatives, when appointed, to a serious handicap and may greatly prejudice the interests and influence of the United States.

Polk

AMERICAN MISSION

763.72119/6989 : Telegram

*The Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, October 4, 1919, 2 p.m.

3343. Your 4377 September 27, 1 p.m. Department feels that it would be advisable to reserve opinion as to whether ratification of the Treaty by three powers is sufficient to enable the Reparations Commission to organize and operate without participation of a United States representative. Confidentially, for your information, the Department is inclined to agree with Woolsey and views of the American Mission but will send you opinion later. On ratification of the Treaty by three of the Allied and Associated powers and provided the Department finally agrees to the French view, you are advised that the United States will expect to be represented unofficially on the commission. Rathbone<sup>6</sup> sails on the *Mauretania* Oct. 2 for Paris. He will transact certain Treasury business and will be attached to the Mission as financial adviser and in that capacity will handle all matters relating to the Reparations Commission. The question of representation on other commissions provided for in the Treaty with Germany will be answered later.

LANSING

763.72119/6989 : Telegram

*The Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, October 13, 1919, 3 p.m.

3409. Department's telegram 3343, October 4, 2 P.M.

Department concurs in Woolsey's view for reasons stated in your telegram 4377, September 27, and for additional reasons hereinafter manifested.

There would seem to be no doubt that the United States Government is not in a position to demand representation of any character on the Reparation Commission until it ratifies the Treaty, because it has neither rights nor obligations under the Treaty until it becomes effective for the United States at the date of the deposit of its ratifications. If it were true that the Reparation Commission could not be organized and could not operate until the Treaty were ratified by the United States or any other single Power, then the performance of the functions of the Reparation Commission could be indefinitely delayed until such time as the Treaty were ratified by the United States and by the other Powers entitled to representation on the Commission upon ratification by them, or permanently prevented by failure of one power concerned to ratify.

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<sup>6</sup>Albert Rathbone, Assistant Secretary, U.S. Treasury.

In addition to the running powers of the Reparation Commission there are various functions assigned to the Commission on which time limitations are set for performance, as for example: The Reparation Commission is to determine the amount of damages for which compensation is to be made by Germany and to notify the German Government of that amount on or before May 1, 1921 (Article 233); fix the installments and manner in which Germany shall pay the equivalent of twenty billion gold marks during 1919, 1920, and 1921, (Article 235); receive all ships and boats which Germany undertakes to replace within 2 months of the coming into force of the Treaty (paragraph 2, Annex 3 of Reparation Provisions); notify the German Government within 3 months of the coming into force of the Treaty of tonnage to be laid down in Germany for the account of the allied or associated powers, (paragraph 5, Annex 3 of Reparation Provisions); receive within 60 days of the coming into force of the Treaty lists of property destroyed by the German Government which the allied or associated Governments desire restored and materials which they desire to have produced, (paragraph 3, Annex 4 of Reparation Provisions); require delivery at its option during period from date of effect of Treaty until January 1, 1920 of dye stuffs and chemicals (paragraph 2, Annex 6 of Reparation Provisions); serve as the medium through which Germany within 6 months after the coming into force of the Treaty delivers certain artistic works to Belgium, (Article 247).

It is believed apparent from the foregoing that if these important provisions of the Treaty are to come into force as between the contracting parties who have ratified it, as soon as three of the principal allied or associated powers effect ratification it is essential that the Reparation Commission be organized promptly upon ratification by the requisite number of associated Powers, and that the application of any theory that the Commission should not be organized and operate until the United States or any other single Power has ratified and is represented on the Commission might prevent the execution of some of the provisions of the Treaty within the time specified for performance and do violence to the rule that the construction of agreements which gives effect thereto is to be preferred to a construction which renders agreements invalid and void.

With respect to representation on the Commission before ratification of the Treaty by this Government, although it is believed that the President under his power to conduct foreign relations would have authority to appoint an official representative to serve on the Commission, it is felt that the President would not wish to exercise such power in light of the political situation and the attitude of the Senate. It may be noted that in view of the provisions of the Treaty

(paragraph 12, Annex 2, Reparation Provisions) that the Commission shall have power to interpret the provisions of the Treaty relating to the Commission, it is believed that the status and powers of the representative designated officially or unofficially by this Government prior to the ratification of the Treaty by the United States would be subject to determination by the Commission itself when organized. It is believed, therefore, that our representative should attend the meetings of the Reparations Commission in an unofficial capacity but that even his attendance at the meetings may be dependent upon the attitude of the Reparations Commission itself.

The above is the Department's opinion in this matter. The Department is cognizant, however, of the fact that when the Reparations Commission begins to function there may be necessity for protection of its American rights and those of smaller countries particularly in South America. As such rights particularly with respect to the distribution of property, shipping, etc., may come up for adjudication by the Reparations Commission it is important that the United States should not take a position which would possibly waive vital rights and interests. The whole question is subject to argument on both sides, particularly in light of Lord Sumner's opinion. There is arguable effect in the contention that the several signatories to the Treaty only consented to the formation of a commission with power to adjudicate on the rights of signatories who were not represented on it provided the powers thus adjudicating were those specified in the Treaty. It was well known that the understanding that the United States would be represented on the Reparations Commission had great effect in securing the consent of the various signatories to a commission having such broad powers. It is felt that if the United States gives its approval to the *de jure* organization and operation of the Reparations Commission some conditions should be attached or understanding reached which would protect our rights and those of the other signatories which we might be inclined to support.

LANSING

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763.72119/7278 : Telegram

*The Commission to Negotiate Peace to the Secretary of State*

PARIS, October 16, 1919, 7 p.m.

[Received 8.35 p.m.]

4692. On July 28 the Council of Heads of Delegations approved the appointment of a Committee to Coordinate the Interpretation and Execution of the Clauses of the Treaty with Germany to be set up in Paris (see point 1, Mission's telegram 3412, July 31, 4 p.m.<sup>7</sup>).

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<sup>7</sup> Not printed.

The Committee will start to function as soon as the treaty of peace goes into force. The nomination of members is on the agenda for the next meeting of the Council. Please let me know as soon as possible who is to be the American representative. Great Britain has designated its Ambassador, Lord Derby. I understand that France will name Monsieur Berthelot and Japan its Ambassador, Monsieur Matsui. Polk.

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AMERICAN MISSION

763.72119/7278 : Telegram

*The Acting Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, October 18, 1919, 6 p.m.

3482. For Polk. Confidential.

Your 4692, October 16, 7:00 p.m.

Dulles informs Department that understanding with regard to Committee to Coordinate the interpretation and execution of the clauses of the Treaty with Germany was that it should be composed of the diplomatic representatives in Paris and should have its headquarters there. Is this your understanding? If this was the agreement, of course we will act accordingly. What will be required in the way of assistants and clerical force?

PHILLIPS

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763.72119/7338 : Telegram

*The Commission to Negotiate Peace to the Secretary of State*

[Extract]

PARIS, October 19, 1919, midnight.

[Received October 20, 6.58 a.m.]

4737. Supreme Council adopted in morning session resolution upon recommendation of drafting committee:

"All commissions to be constituted by the Allied and Associated Powers shall be duly composed and shall function regularly with the representatives designated by the powers having ratified the treaty or who, without having ratified, have agreed to proceed with the designation of a representative to the Commission.

If all the powers whose representation is provided for in the treaty have not designated their representatives at the time of the entry into force of the treaty, the decisions taken by the Commission shall be none the less valid. And if, in like cases, there is an equality of votes, the procedure should be as is provided for in article 437 of the treaty."

Polk

AMERICAN MISSION

763.72119/7338 : Telegram

*The Secretary of State to the Commission to Negotiate Peace*

[Extract]

WASHINGTON, *October 22, 1919, 7 p.m.*

3528. Confidential, for Polk from Lansing.

Your 4737, October 19, midnight. I am uncertain as to exactly what has been agreed upon under the resolutions contained in the second and third paragraphs.

While this Government appreciates the suggestion that representatives of Powers who have not ratified the Treaty may be allowed to participate in the action of Commissions, or the League of Nations Council, it will not be possible for us to do so in view of the attitude of the Senate. At most, our representatives may sit as unofficial observers at the meetings of certain commissions in cases where such express authority is given by the Department. . . .

. . . . .

LANSING

763.72119/7435 : Telegram

*The Commission to Negotiate Peace to the Secretary of State*PARIS, *October 25, 1919, 11 p.m.*[Received *October 26, 6.05 a.m.*]

4826. Your confidential 3482, October 18, 6 p.m. Your understanding in regard to Committee on Coordination of Interpretation and Execution of the Treaty Clauses with Germany is entirely correct. The origin of [*original*] proposal of having the different Ambassadors as heads of the various delegations on this Committee was made by the British [*undoubtedly*] with the idea that the Committee would merely serve as a clearing house between the Commission functioning in Germany and the Allied and Associated Governments. Lately it has been proposed with the support of the French and Italian delegates to extend the scope of the Committee so as to constitute a consultative body to consider matters of importance arising out of the treaty. In the Interim Reparation Committee, where the matter was discussed yesterday, the British delegate stated emphatically that he was against resurrecting the ghost of the Supreme Council after it had departed. The subject will undoubtedly shortly be further discussed in the Supreme Council.

France has named Monsieur Pichon with Monsieur Berthelot as alternate; and Great Britain, Japan and Italy their respective Ambassadors. Should the American Ambassador be designated as the

American delegate on this Committee it might be well to make the appointment run to him " [or his] representative."

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AMERICAN MISSION

763.72119P43/773 : Telegram

*The Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, November 5, 1919, 3 p.m.

3675. Confidential for Polk from the Secretary.

Phillips has shown me your 4958.<sup>s</sup> I really think that it would be best for you to return on the *George Washington* if it is possible for you to do so. I appreciate that there are many important problems which you are handling in Paris but I think that many of these could now properly be transferred to the State Department. From here you will have even a stronger position in handling these problems. The *George Washington* is about to be transferred to the War Department which plans to keep her in the Trans-Atlantic service temporarily.

LANSING

763.72119P43/779 : Telegram

*The Commission to Negotiate Peace to the Secretary of State*

PARIS, November 6, 1919, 11 p.m.

[Received November 6, 9.35 p.m.]

5040. Strictly confidential and urgent. For Secretary of State from Polk:

Your 3675 November 5th, 3 p.m. Am most anxious to get home for personal and business reasons, but after careful consideration and discussing matter with my colleagues, I feel it will be impossible for me to leave next Wednesday. They feel it would make an extremely bad impression to leave on such short notice when there are several matters that require a settlement. The Bulgarian treaty will be signed next week. That of course is merely formal. We are carrying on active negotiations in regard to Hungary and are not [*sic*] hopeful of getting a government with which we can treat. The Galician question is merely awaiting decision of Lloyd George before being disposed of. Tanker case still unsettled. The negotiations in connection with putting the treaty in effect could not be postponed and Harrison and others feel that our position would be jeopardized if I should leave.

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<sup>s</sup> Not printed.



In using two weeks more I can have the matters, now pending, either settled or transferred to the Department. In other words, it is my idea that when we leave here the Department and Ambassador will already be handling the unfinished business. As it is now there are too many loose ends to leave without creating hopeless confusion.

Under the circumstances, unless there are other reasons which I do not appreciate, I feel I should stay on until the end of the month. General Bliss, Mr. White and myself are most anxious to leave here as near the 1st of December as possible. Could you let me know if the *George Washington* can come back at that time? We have some personnel and many records which should be kept together. The other transports would not be large enough to accommodate our party. If the *George Washington* cannot come back, I will arrange to sail about the 1st of December on some English ship but we would much prefer to leave on that boat. In view of the fact that this Commission does represent Government and in view of consideration other governments show their representatives, it would seem that War and Navy Departments would not hesitate to grant request of Department.

Please let me know immediately your views and wishes. Polk.

AMERICAN MISSION

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763.72119P43/780 : Telegram

*The Commission to Negotiate Peace to the Secretary of State*

[Paraphrase]

PARIS, November 7, 1919, 4 p.m.

[Received 7.56 p.m.]

5071. Do you authorize me to give servants of Crillon Hotel 30 days' notice? Shall I proceed on the theory that on or about December 1 all of Mission and personnel will return home, thereby closing Crillon? I am planning to move the reparation people to other quarters and also the members of the personnel which is to go to Embassy out of hotel by November 20. Please give me your views regarding the return of Bliss and White. Polk.

AMERICAN MISSION

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763.72119P43/779 : Telegram

*The Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, November 8, 1919, 11 a.m.

3704. Confidential and urgent for Polk from the Secretary.

Your 5040, November 6, 11 p.m.

If the pending matters before the Peace Conference require your continued presence in Paris until on or about December 1, I am quite agreeable to that arrangement.

I have approached the War Department with reference to having the *George Washington* in Europe around the end of this month and will cable you further as soon as I have definite information.

LANSING

763.72119P43/780 : Telegram

*The Secretary of State to the Commission to Negotiate Peace*

[Paraphrase]

WASHINGTON, *November 8, 1919, 1 p.m.*

3709. For Polk. Referring to your 5071 of November 7, 4 p.m. You are authorized to give Crillon servants 30 days' notice. You will proceed on theory that the whole Mission will return home on or about December 1, with the exception of those Embassy may need to carry on pending matters which remain. I see no reason why Bliss and White should not return with you.

LANSING

763.72119/7435 : Telegram

*The Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, *November 8, 1919, 1 p.m.*

3706. For Polk. Your 4826, October 25, 11 p.m.<sup>9</sup>

I feel that it is very important that the original idea of the functions of the Committee on Coordination be maintained. This Government cannot agree to permitting the Committee to become a continuation of the Supreme Council. Please make it clear to your associates that the Committee can merely be used as a clearing house between commissions functioning in Germany and the Allied and Associated Governments.

Department intends to designate Ambassador Wallace as our delegate but his official appointment cannot be made until we ratify the Treaty and until it becomes clear whether ratification of such appointments must be made by the Senate.

LANSING

763.72119/7808 : Telegram

*The Commission to Negotiate Peace to the Secretary of State*

PARIS, *November 14, 1919, 8 p.m.*

[*Received November 15, 5.40 a.m.*]

5187. For the Secretary of State from Polk:

Following is list of questions which, according to the Secretary-General of the Peace Conference, have not been disposed of. I

<sup>9</sup>Ante, p. 16.

will give them in the order presented with [our] comments after each subject.

It is evident that the ratifications will not be delivered until after the 1st of December. It will, therefore, be necessary for the Ambassador, assuming the treaty has not actually been defeated, to be charged with the duty of attending to such details as have not been covered in connection with the ratification of the treaty and the first meeting of the League. It is true that we will not be represented, but it is necessary for us to see that nothing is done which would be prejudicial to our interests. There is no disposition as far as I can see on the part of any of the governments to proceed in the matter of the League without a full understanding with us.

In connection with your 3706, November 6 [8], in regard to the [negotiations] of the Coordination Committee, I call your attention to the resolution creating the Committee adopted July 23rd. The resolution reads as follows:

“The questions concerning the interpretation and execution of the treaty with Germany, with the exception of those confided either to the Society of Nation[s], Reparation Commissions, Naval and Aerial and Military Control, the left Bank of the Rhine, or to other permanent organs of the same nature, should be studied and followed by a special committee whose seat will be in Paris but which can, should it be judged opportune time by reason of the nature of certain questions, be transported to other capitals.”

According to this resolution you will notice that the Ambassadors' Committee or Committee on Coordination has practically no powers as the important committees are certain to be independent. There is no great objection to that in my mind except in the case of the committees of military, naval and air control and those committees should be under the Ambassador. But quite apart from the duties contemplated in the resolution of July 23rd, there will be certain questions, as you will observe from reading the list above, which will require our having some sort of representative in the proposed ambassadorial committee for the purpose at least of conveying the views of the Government to this committee.

As you can see, it would be difficult for us to leave here arbitrarily on or about the 1st of December unless it is the intention to charge some one with the duty of tying up the loose ends in a limited number of subjects. It would not be fair to our Allies or to the questions involved. The questions are simple and the understanding would be that the Ambassador would act only on instructions from his Government. Wallace would have the assistance of Grew and Harrison and I think such arrangement would be possible. Please consider this particular point and let me know your views.

As you will see, I am assuming that we will all leave here on or about December 1st. This I have told my colleagues and they are expecting us to leave at about that time but as I have already pointed out we cannot leave the pending questions I have suggested entirely in the air.

As you will notice Wallace would have two functions: (1) a member of the Coordinating Committee to carry out the terms of the treaty, this to depend upon our ratifying the treaty; (2) to sit in the Ambassadors' Committee for the purpose of completing such unfinished business as we are justified in leaving to them. If Wallace is not permitted to complete this work, we really should leave a commissioner behind, but I think the best plan is to end Peace Conference and have this Committee of Ambassadors clean up more or less important unfinished business. Polk.

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AMERICAN MISSION

763.72119P43/804 : Telegram

*The Secretary of State to the Commission to Negotiate Peace*

[Extract]

WASHINGTON, November 18, 1919, 11 a.m.

3801. Your 5221, November 15, 11 p.m.<sup>10</sup>

You are instructed to bring to a close the American Mission to the Conference to Negotiate Peace on or about December 1, and to inform the Commissioners and all the personnel that they are expected to return home on the *America*, sailing between the 1st and the 5th of December.

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LANSING

763.72119/7808 : Telegram

*The Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, November 27, 1919, 2 p.m.

3906. In view of the failure of the Senate to ratify the Treaty the President feels that you should withdraw immediately the American representatives on all Commissions growing out of or dependent on either the Peace Conference or the Treaty except those dealing with Reparations Commission which are being further considered by the President. The Department feels that this Government has an interest apart from the Treaty in keeping in touch with economic and financial questions. Of course the foregoing does not apply to

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<sup>10</sup> Not printed.

matters pertaining entirely to the armistice. After receiving the President's views a further telegram on this subject will be forwarded to you.

Pending your departure from Paris you should continue to represent the United States on the Supreme Council, with the understanding that any matters requiring a definite expression of opinion by this Government must be referred to the Department.

With reference to the withdrawal of American representatives on all Commissions, the Department means

1. That an American representative should not be appointed to the Rhineland High Commission at the present time.
2. That no American arbitrator can be nominated to determine the disposition of river material on the Danube and other European rivers.
3. That no American should at the present time represent the United States on any of the various plebiscite or boundary commissions provided for by the Treaty.
4. That the United States should not at the present time be represented on any of the military commissions of control provided for by the Treaty.
5. That no American representative should participate in the Commission to hold a plebiscite in Teschen even though this Commission is not directly dependent upon provisions of the Treaty of Peace. A reconsideration of this decision might be possible should a request of the interested Powers (Czecho-Slovakia and Poland) be made to this Government in the premises.

Should the question arise as to the participation of this Government in the Commissions provided for by the Austrian, Hungarian or Bulgarian Treaties, you may inform your colleagues that the position of the United States with reference to these other treaties is the same as outlined above with reference to the German Treaty.

In view of this situation the Department would be glad if you could arrange to sail with personnel of the Commission at an earlier date than December 6, provided that could be arranged by you with General Connor.

With reference to the questions outlined in your 5187, November 14, 8 p.m. I agree, that matters which have not been settled when the Supreme Council ceases to function, might possibly be referred to the Committee of Ambassadors or handled by the Reparations Committee or the Department respectively as you suggest. For the present, however, I feel that the United States should not be represented on the Committee of Ambassadors and I shall instruct Ambassador Wallace accordingly. After your departure from Paris matters which require the action of this Government should be presented to the Department through the usual diplomatic channels.

For your information and guidance I should add that until the Senate takes some action, the Department proposes to express no opinion concerning questions arising under the terms of the treaty except those in which it may interest itself because of the necessity to protect American interests.

LANSING

763.72119/7948 : Telegram

*The Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, November 28, 1919, 2 p.m.

3915. For Rathbone from Davis. Treasury R-81.

1. Reference your R-74.<sup>12</sup> I am just informed by State Department that President considers it advisable that we should continue unofficial representation on Interim Reparation Commission in order to protect American interests and that until further notice you should continue as heretofore.

2. It is contemplated that Embassy in Paris will take over 45 Avenue Montaigne building and will be able to supply you with space required. It has also been suggested that you and your staff should be attached to Embassy in order to maintain diplomatic rank. I hope to cable you more definitely this week regarding all these matters and also as to how expenses of Reparation Organization will be met. Norman H. Davis, Assistant Secretary of the Treasury.

LANSING

763.72119/8061 : Telegram

*The Commission to Negotiate Peace to the Secretary of State*

PARIS, November 30, 1919, 3 a.m.

[Received 10.20 a.m.]

5492. For Secretary of State from Polk:

Your 3906 November 27th. Commission fears that it has failed to make clear position it has taken in the past in regard to the execution of the German treaty and [what] it has consistently stated to be its position in view of the treaty not being ratified. We have been most careful for over a month to impress upon the Supreme Council that we could take no part in any of the commissions created by the treaty and have so reported to the Department from time to time.

1. Department will probably recall that I have telegraphed many times on the subject of Rhineland Commission but it was never suggested that we should appoint a permanent representative until we

<sup>12</sup> Not printed.

had ratified the treaty. This Commission would call attention of the Department to the very unfortunate situation that would be created by the withdrawal of our temporary commissioner Mr. Noyes. We have been charged with certain administrative functions in connection with the territory occupied by our troops and it would be impossible to withdraw now [*Noyes*] unless we also withdraw our troops as it would not be proper to my mind to have French or British commissioner functioning in the district with our military forces. I will assume therefore that it is not intended to withdraw Noyes.

2. I shall inform my colleagues of the decision that no American arbitrator can be nominated for the Danube or other European rivers by the United States. I assume there would be no objection to the Allies appointing and paying an American for this [work] if they so desired. I would call to your attention Department's 2962 August 27, 3 p.m.<sup>13</sup>

3. As already indicated the Commission never assumed for one moment that the United States would be represented on any geographic or boundary commission and has so informed Council. The Department will probably recall that we pointed this out on several occasions.

4. The United States Government is not represented on any military or naval commission created by the treaty and the Department has apparently overlooked the fact that we have been holding officers in Paris for this duty pending the ratification of the treaty and have not let them go into Germany.

5. The Commission notes the Department's views in regard to a representative on the Teschen Commission and will communicate them to the Supreme Council and to the Czechs and Poles. The two latter powers undoubtedly will request the United States to act.

No question could possibly arise at this time in regard to our being represented on commissions provided for by the Austrian, Hungarian and Bulgarian treaty [*treaties*] in view of the position we have consistently taken in regard to the German treaty.

In regard to your recommendation that we should sail about December 6 we would respectfully call the Department's attention to the fact that we notified the Department over three weeks ago that we desired to sail the first week in December and many telegrams have been sent stating that we would sail on the 6th. All arrangements to that end have already been made.

When the Mission leaves there will be certain questions practically complete but needing some slight attention such as the final

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<sup>13</sup> Not printed.

terms in the Hungarian treaty and our relations with Roumania. It would not be possible to my mind, particularly in connection with the Roumanian matter, for us to withdraw entirely. It will therefore be necessary for the Ambassador in order to complete these matters to sit in the Supreme Council for a short time. The matters are routine in character and have been practically settled but could not be handled by the Allies with Washington. This is particularly true in the case of Roumania, and as we have been taking a firm and consistent stand from the first our withdrawal would be a great embarrassment to the Allies, and would be great benefit [*sic*] to Roumania and would hurt our prestige. In view of the fact that it has nothing whatever to do with the German treaty we most earnestly urge that the Ambassador be authorized to sit in the Council for the purpose of attending to these matters.

In this connection Clemenceau called my attention to the fact that the German Government is getting out of hand as they believe that we might make a separate peace. He has cabled Jusserand to represent to our Government [the necessity of the Mission's delaying its departure]. I have told him that for practical reasons it could not be done. It is therefore all the more necessary that Wallace should be empowered to sit in the Supreme Council until these pending matters are completed. Otherwise we will be seriously inconveniencing the Allies and will create a most unfavorable impression here as they will not see the logic of our withdrawing on the 6th rather than on the day the treaty was defeated. Wallace, of course, can take no part in questions of the carrying out of the German treaty and the French and British understand that thoroughly but [it is] only a question of appearance which is important for French and Germans.

There are still two military missions in the field, namely, General Bandholtz in Hungary and General Cheney in the Baltic States. As to General Bandholtz I have proposed that the Supreme Council dissolve the Military Council in Budapest immediately but I would suggest that Bandholtz be left there as our representative until Grant-Smith can arrive. As to Cheney the work seems to be [complete] and he can probably be through in a week or ten days. It would create an extremely unfortunate impression to my mind to withdraw him just as his work is being brought to a successful conclusion. This work is connected with the armistice and has no relation to the treaty.

As to direction that I continue to sit in the Council but refer all questions to the Department, of course the Department understands that it would probably be impossible to get answers to any questions



I might now ask until after my departure. The Commission will receive [*carry out*] the wishes of the Department but at the same time I am sure the Department would not object to the Commission completing such matters [not] relating to the execution of the German treaty as are still before us. Polk.

AMERICAN MISSION

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763.72119/8074 : Telegram

*The Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, December 2, 1919; 4 p.m.

3941. Confidential for Polk.

Your 5517, December 1, 10 A.M.<sup>14</sup>

The President sees no serious objection to delaying your departure until the 9th but desires that all the Commissioners leave Paris on that date without fail. I assume that Connor will be able to make all arrangements which may be necessary as a result of this slight alteration in schedule. This is final.

LANSING

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763.72119P43/856 : Telegram

*The Commission to Negotiate Peace to the Secretary of State*

PARIS, December 5, 1919, noon.

[Received 6 p.m.]

5557. For the Secretary of State from Polk:

Your 3942 [3941], December 2, 4 p.m. Arrangements have been made with General Connor for holding the *America*. Mission will leave Paris in accordance with your instructions on the evening of the 9th and we hope to sail from Brest on the 10th. Polk.

AMERICAN MISSION

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763.72119/8061 : Telegram

*The Secretary of State to the Commission to Negotiate Peace*

[Paraphrase]

WASHINGTON, December 5, 1919, 1 p.m.

3975. For Polk. Your No. 5492 of November 30, 3 a.m. In my 3906 I did not mean to imply any doubt about your understanding of the Department's position and earlier instructions. It seemed important, however, in view of recent political events, that the entire matter be summed up in that message.

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<sup>14</sup> Not printed; it requested permission to delay departure until Dec. 9.

In regard to the Rhineland Commission, Noyes will continue to act on the Armistice Commission as long as it exists. A separate telegram will deal with the question of funds suggested in your 5534 of December 2, 9 p.m.<sup>15</sup> Please give me your opinion as to whether the Armistice Commission will cease, as far as the United States is concerned, at the time the treaty becomes effective or not until we ratify; also as to whether Noyes and his staff could be continued at Coblenz as a special commission from this Government in the occupied area, during the time between the coming into force of the treaty and our ratification. Pending further advice from me, please treat this latter suggestion as confidential.

See my 3929 of November 29, 6 p.m.,<sup>15</sup> in regard to the American member of the Rolling Stock Commission, and arbitrators for the allocation of river material.

If Poland and Czecho-Slovakia ask us to suggest the name of an American citizen to act as chairman of the Teschen Plebiscite Commission, please give me your opinion as to the qualifications and availability of Arthur Wood Du Bois, who was associated with M. A. Coolidge on the Inter-Allied Teschen Commission and who is now in Vienna.

In regard to the work of the Supreme Council after your departure, as you already know, it does not seem advisable in the present circumstances, for us to continue our official representation on that body.

In regard to matters which arise under the armistice and are not connected with the carrying out of the terms of any of the treaties, our representatives may continue to take part in the work of whatever bodies are dealing with them. However, I suppose that in practically all instances such matters will cease to be an issue as soon as the treaty becomes effective.

I see no objection to carrying out your suggestion that General Bandholtz be left at Budapest as our representative until the arrival of Grant-Smith. What will this mean in the matter of expense and other arrangements?

I approve your suggestion that General Cheney continue to participate in the work of the Baltic Mission, in view of the short time required for it to finish, if his funds are sufficient.

It is not my intention to interfere with your discretion in regard to matters now before the Supreme Council. I appreciate fully the desirability of finishing as much of the pending business as is possible before you leave, feeling sure that you have in mind the change

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<sup>15</sup> Not printed.

produced in the situation by the action of the Senate in regard to the treaty.

LANSING

763.72119/8179a : Telegram

*The Secretary of State to the Ambassador in France (Wallace)*

[Paraphrase]

WASHINGTON, December 8, 1919, 12 noon.

9279. Polk has been informed that the President agrees to your sitting on the Supreme Council on behalf of the United States as an observer and not as a participant. I desire, in this connection, that you take no action and express no opinion on any subjects discussed by that body but that you report the proceedings to the Department and await instructions on any point on which an expression of the views of this Government is desired.

You are authorized to sign the Hungarian and the Roumanian minority treaties on behalf of United States. Plenipotentiary credentials will be immediately mailed to you.

LANSING

763.72119/8227 : Telegram

*The Ambassador in Great Britain (Davis) to the Secretary of State*

[Paraphrase—Extract]

LONDON, December 12, 1919, 5 p.m.

[Received 8.45 p.m.]

3524. At Curzon's request I attended conference at Downing Street this morning. I was careful to explain in advance that I had no authority to voice any opinions or to indorse for the United States. Those present were Clemenceau, Berthelot, Cambon, Scialoja, [Imperiali], Lloyd George, Balfour, Bonar Law, Curzon, and Hankey.

DAVIS

763.72119/8253 : Telegram

*The Ambassador in Great Britain (Davis) to the Secretary of State*

[Extract]

LONDON, December 13, 1919, 6 p.m.

[Received December 14, 6.34 a.m.]

3533. At conference this afternoon there was submitted following formula of agreement reached by British and French.

2. *Future of Peace Conference*: It was agreed that:

(1) The present session of the Peace Conference shall come to an end at Christmas or at least within a fortnight of the first *procès-verbal* of the deposit of ratifications of the treaty of peace with Germany.

(2) After the termination of the present session of the Peace Conference, large question[s] of policy shall be dealt with by direct communication between the Governments themselves, while questions of detail shall be dealt with by a conference of Ambassadors in Paris.

(3) The principles of the treaty of peace with Turkey shall be first discussed between the heads of Governments before the Conference meets to consider the necessary treaties.

(4) The Inter-Allied Military Organization at Versailles shall be continued under the presidency of Marshal Foch and shall be hereinafter [*instructed*] (a) to give advice to the Allied and Associated Governments on military questions relating to the execution by Germany of the treaty of peace, (b) to execute such orders as the Allied and Associated Powers may give them.

These were agreed to by Chinda for Japan, accepted for transmission by Imperiali and myself. Scialoja returned last night. Clemenceau and Loucheur leave tomorrow morning.

DAVIS

763.72119/8304 : Telegram

*The Secretary of State to the Ambassador in France (Wallace)*

[Paraphrase]

WASHINGTON, December 18, 1919, 5 p.m.

9366. Referring your No. 1813 of December 16, 11 p.m.<sup>18</sup> You should make sure that representatives on Council of Heads of Delegations understand fully that United States is not to be considered as party to any resolution, declaration, or action of or by the Council unless through special act of the Department this Government expressly adheres thereto, since you are taking part in the work of the Council as observer only.

Because the Austrian treaty has not been put before the United States Senate, this Government is at present not able to take action upon the Supreme Council's resolution concerning Vorarlberg, although unnumbered telegram from you received December 17<sup>18</sup> seems to indicate that before instructions requested in your 1813, December 16, could arrive action had been taken upon said resolution.

Will you please inform me if Council understands fully this state of affairs.

LANSING

<sup>18</sup> Not printed.

763.72119/8310 : Telegram

*The Secretary of State to the Ambassador in France (Wallace)*

WASHINGTON, *December 26, 1919, noon.*

9424. For Rathbone from Davis. Treasury R-128.

Reference your R-140.<sup>17</sup> See Department's 9378 Dec. 19, 5 P.M.<sup>18</sup>

1. If the Reparation Commission should be formally organized upon the filing of ratifications by the Allies before the United States has taken definitive action on the Treaty you are authorized to endeavor, when proper time arrives, to arrange that Americans be asked to attend unofficially the meetings of the Reparation Commission, or to accept an invitation to do so if extended, at least pending final action on the Treaty by the United States.

2. You are also authorized, wherever it shall appear necessary to you to designate American representatives to sit on the various inter-allied sub-committees now acting under the organization committee of the Reparation Commission and which will continue to function under Reparation Commission after formal organization of the latter. It is understood that American representatives on these sub-committees will also sit in an unofficial capacity until final action is taken by the United States on the Treaty. Norman H. Davis, Assistant Secretary of the Treasury.

LANSING

763.72119/8426 : Telegram

*The Acting Secretary of State to the Ambassador in France (Wallace)*

WASHINGTON, *December 27, 1919, 11 a.m.*

9434. For Rathbone from Davis. Treasury R-133.

Your R-164.<sup>17</sup> I think my R-128 will clear up to your satisfaction the policy to be followed by you in respect to the permanent Reparations Commission. It is intended that you shall of course continue acting as heretofore on Organization Committee, and that upon the organization of the permanent Reparations Commission and until the United States takes definite action in respect to the treaty or until further notice you shall, with the approval of the other Governments concerned, attend the meetings of the Commission unofficially. As the prime object of your attending those meetings will be to protect the interests of the United States, it will naturally be necessary for you, in order to do so, to participate unofficially in the discussions of any questions arising which concern the United States. The

<sup>17</sup> Not printed.

<sup>18</sup> Not printed; canceled by telegram No. 9442, Dec. 27 (File No. 763.72119/8426).

internal organization of the Commission and its methods of dealing with the various problems would have considerable bearing on a constructive handling of the various problems, and as any actions of the Commission which might be unsound from a financial and economic standpoint would seriously affect the United States, you should use your best endeavors in advocating the adoption of sound constructive policies. Norman H. Davis, Assistant Secretary of the Treasury.

POLK

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763.72119/8486 : Telegram

*The Ambassador in France (Wallace) to the Secretary of State*

[Paraphrase]

PARIS, December 27, 1919, 8 p.m.

[Received December 27, 4 p.m.]

1933. From Mission. Your telegram No. 9279 of December 8,<sup>19</sup> concerning participation in Supreme Council meetings, and your instructions 9375 [9357] of December 17,<sup>20</sup> and 9366 of December 18. My telegram 1880 of December 22, point 2,<sup>20</sup> informed you of my compliance with the latter. Should I formally ask of the Council that it delay, long enough for me to receive Department's instructions, any actions, resolutions, or decisions on questions of special interest to or particularly affecting the United States in cases where I have not received instructions from Department?

WALLACE

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763.72119/8486 : Telegram

*The Secretary of State to the Ambassador in France (Wallace)*

[Paraphrase]

WASHINGTON, December 30, 1919, 3 p.m.

9463. Reference your 1933 of December 27, 8 p.m. Supreme Council should be requested to delay all actions, resolutions, or decisions which concern this Government until Department sends you instructions for each matter involved.

LANSING

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763.72119/8543b : Telegram

*The Secretary of State to the Ambassador in France (Wallace)*

[Paraphrase]

WASHINGTON, December 30, 1919, 4 p.m.

9465. Please inform the Supreme Council that in cases where decisions, resolutions, or actions are taken by that body which do not particularly interest the United States and are agreed to without

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<sup>19</sup> *Ante*, p. 28.

<sup>20</sup> Not printed.

your specific approval, they should be so worded as to clearly indicate that they represent the views of only those powers which have agreed to them. In connection with this it is suggested that it should be made clear that the expression "Principal Allied and Associated Powers" should only be used when you have agreed to its use in any particular instance.

LANSING

763.72119/8594 : Telegram

*The Ambassador in France (Wallace) to the Secretary of State*

[Paraphrase]

PARIS, January 7, 1920, noon.

[Received 5.32 p.m.]

Mission 57. Your 3906, November 27, 2 p.m.,<sup>21</sup> to the Mission, next to last paragraph. I should appreciate receiving instructions concerning my part in the meeting of the so-called Committee of Ambassadors. This will probably take place early in coming week since treaty may become effective next Saturday. I may point out in regard to this matter that my attendance unofficially upon these committee meetings from the very first would be of advantage should the United States ratify the treaty at an early date. Objection by my colleagues seems unlikely.

WALLACE

763.72119/8594 : Telegram

*The Secretary of State to the Ambassador in France (Wallace)*

[Paraphrase]

WASHINGTON, January 9, 1920, 10 a.m.

61. Mission. Your 57 of January 7. The Department does not object to your attending unofficially and as an observer, meetings of Committee of Ambassadors, provided your colleagues should request or offer no objection to your attending the meetings in such capacity.

LANSING

763.72119/8567 : Telegram

*The Secretary of State to the Ambassador in France (Wallace)*

WASHINGTON, January 9, 1920, 6 p.m.

71. Your No. 19, January 3.<sup>22</sup>

Mission. The Government of the United States can not acquiesce in decision of the Council that as soon as Treaty of Peace goes into force between Allied Governments and Germany, the jurisdiction

<sup>21</sup>Ante, p. 21.

<sup>22</sup>Not printed.

of the Interallied Rhineland High Commission, to be created under the Rhineland Agreement signed June 28, 1919, will extend over all the territories on left bank of Rhine, including those occupied by American troops.

The views of this Government are that while, upon the Treaty of Peace coming into force, the Armistice, except for provisions specifically continued in force, will terminate as between Germany and the Powers ratifying the Treaty, it nevertheless continues in force as to the United States.

Until the Treaty of Peace with Germany and the Rhineland Agreement are ratified by the United States, the belligerent rights of this Government in the Rhenish territory occupied by its forces under the Armistice, can in no way be affected or limited by agreements between the Allied Governments and Germany, not ratified by, and therefore not binding upon the United States.

This Government, therefore, can not agree that the jurisdiction of the Rhineland Commission to be created upon the coming into force of the Treaty, will extend at this time over American troops or the Rhenish territory occupied by them, but nevertheless it will be disposed, should the Allied Governments so desire, to have an American representative unofficially present at the meetings of the Commission to be created, and, in so far as practicable, cause to be put into effect concurrently in the American zone of occupation measures similar to those to be adopted by the Commission for the portions of the Rhenish territory occupied by the Allied Governments provided the measures do not conflict or exceed the terms of the armistice.

Communicate above to the Council. Also inform General Allen, in response to his telegram of January 2,<sup>23</sup> and Noyes, in answer to his telegram transmitted with your 48, January 6,<sup>23</sup> advising them that they will be more fully instructed later.

LANSING

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763.72119/8710 : Telegram

*The Ambassador in France (Wallace) to the Secretary of State*

[Paraphrase]

PARIS, January 18, 1920, 6 p.m.

[Received 10.23 p.m.]

179. Mission. The Supreme Council meets tomorrow morning, Monday, probably for the last time as Lloyd George returns to England Tuesday and Clemenceau will presumably retire to the country. Expect Committee of Ambassadors will handle unfinished business.

WALLACE

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<sup>23</sup> Not printed.



763.72119/8585 : Telegram

*The Acting Secretary of State to the Ambassador in France  
(Wallace)*

WASHINGTON, January 24, 1920, 7 p.m.

185. Please inform Noyes in further answer to his telegram quoted in your No. 48, January 6, 6 p.m.<sup>23</sup> that "Department does not feel that it is advisable to raise question of legality of Rhineland High Commission without participation of United States. However, as pointed out in Department's 71, January 9, to Embassy Paris, this Government cannot admit jurisdiction of that Commission over portion of Rhenish provinces occupied by American forces. Consequently neither you nor General Allen should issue any ordinances which conflict with or exceed the terms of the armistice, which the Department regards as continuing in force as to the United States. You should, however, maintain the closest touch with the High Commission and endeavor in so far as possible to conform administrative regime within territory occupied by American forces to regime adopted by High Commission for other portions of occupied territory.

There is no objection to your sitting informally with High Commission provided you are requested to do so,<sup>24</sup> nor of continuing your activities, as well as those of your staff, in connection with special committees to handle distribution of coal, etc.

Ordinances, orders, regulations, etc. relating to financial and economic matters, including those similar to the ones adopted by High Commission, which it is desired to put into force in territory occupied by American forces, should be issued by General Allen as Commanding General American forces in Germany but only after having first been approved by you.

In general endeavor to cooperate fully with High Commission and avoid all friction with that body, while at same time making it perfectly clear that you are still operating under the armistice as before January 10 and are in no way bound by the terms of the Rhineland Agreement or the Memorandum of June 13, 1919 defining the relations between the military authorities and the High Commission. Department has full confidence in your good judgement and tact in handling this situation."

War Department is instructing General Allen in same sense as above.

POLK

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<sup>23</sup> Not printed.

<sup>24</sup> The inquiry read: "Would you approve of my sitting unofficially with other commissioners as they request?"

763.72119/8885 : Telegram

*The Ambassador in France (Wallace) to the Secretary of State*

PARIS, January 31, 1920, 9 p.m.

[Received February 2, 1.30 a.m.]

326. Confidential. Mission. Referring to my télégram number 214, January 21, 10 a.m. [*p.m.*]<sup>25</sup> Clemenceau, Berthelot, Curzon, De Martino and Matsui met on the morning of January 21 . . .

Curzon proposed that the decision taken in London with regard to the creation of the Conference of Ambassadors [should go into effect]. This Conference would handle current questions relating to the treaty and its execution while important political questions would be reserved for the direct decision of the Governments. De Martino stated that Mr. Scialoja agreed but proposed that should occasion arise the Foreign Ministers might take part in the Ambassadors' Conference. Matsui agreed as he was both Ambassador and Plenipotentiary. Millerand was inclined to agree with Scialoja's proposal. Curzon saw no objection to any government being represented by its ambassador, its foreign minister, or its premier. He pointed out, however, that it was not intended to have the Conference of Ambassadors handle the Turkish treaty. This question had been reserved for the Supreme Council. . . .

WALLACE

THE FIRST INTERNATIONAL LABOR CONFERENCE<sup>26</sup>

555.E1/14a : Circular telegram

*The Secretary of State to the Diplomatic Representatives in All Countries*<sup>27</sup>

WASHINGTON, August 11, 1919.

You are instructed to deliver the following invitation in the name of the President to the government to which you are accredited:

"The President of the United States in accordance with the provisions of Part XIII of the Treaty of Peace between the Allied and Associated Powers and Germany signed at Versailles on June 28, 1919 and under authority vested in him by Congress,<sup>28</sup> hereby con-

<sup>25</sup> Not printed.

<sup>26</sup> For the proceedings of this Conference, see *International Labor Conference, First Annual Meeting, October 29, 1919–November 29, 1919*, Washington, Government Printing Office, 1920.

<sup>27</sup> Except those in Mexico, Russia, and the Dominican Republic.

<sup>28</sup> 41 Stat. 279.

venes the first meeting of the Annual Labor Conference therein described to assemble in Washington at noon on the 29th day of October, 1919.

The Government of the United States extends to each nation which is or which prior to the said meeting shall become a member of the International Labor Organization as defined in Article 387 an invitation to send its delegates and other representatives to Washington for the purpose of attending such conference."

You will also inform the government to which you are accredited that all details as to reception of and accommodations for its representatives in Washington may be arranged through its diplomatic representative here.<sup>29</sup> Please obtain and telegraph to the Department the names of the delegates and their advisers. The cost of all telegrams should be stated therein in order that the Department may obtain reimbursement.

You will also offer your aid in the matter of passports, transportation etc.

LANSING

555.E1/14b

*The Secretary of State to the Argentine Ambassador (Le Breton)*<sup>30</sup>

WASHINGTON, August 11, 1919.

EXCELLENCY: I have the honor to inform Your Excellency that a telegram was sent today to the American Ambassador at Buenos Aires directing him to deliver the following invitation to the Argentine Government:

[Here follow the second and third paragraphs of the circular telegram printed *supra*.]

The American Ambassador was instructed to inform the Argentine Government that all details as to the reception of and accommodations for its representatives in Washington may be arranged through Your Excellency.

Such arrangements are under the charge of the Department of Labor. Mr. N. A. Smyth, Special Assistant to the Secretary of Labor, will be glad to furnish information and assistance on all matters pertaining thereto or having to do with the Labor Conference.

Accept [etc.]

ROBERT LANSING

<sup>29</sup> In telegrams to the representatives in Poland and Liberia this phrase reads "through you".

<sup>30</sup> The same, *mutatis mutandis*, Aug. 11, to all foreign diplomatic representatives at Washington, except those of Mexico, Russia, and the Dominican Republic.

PREPARATIONS FOR THE SECOND PAN AMERICAN FINANCIAL CONFERENCE<sup>31</sup>

810.51A/5: Telegram

*The Acting Secretary of State to the Ambassador in Brazil  
(Morgan)*<sup>32</sup>

WASHINGTON, *May 24, 1919, 6 p.m.*

On recommendation Secretary Treasury, President has designated Monday, January 12, 1920 for convening of second Pan American Financial Conference, authorized in diplomatic and consular Act, March 3rd, 1917,<sup>33</sup> and hopes this date will be agreeable to Government of Brazil. Act limits official delegation to three members. Please convey to government to which you are accredited formal invitation to participate.

Confidential for your guidance. Most important factor in Financial Conference is conference between Secretary of Treasury and respective Ministers of Finance. Secretary of Treasury, therefore, most anxious that Minister of Finance head delegation and that delegation include persons prominent in banking and commerce. Department believes that it would be desirable for you to convey the Secretary of Treasury's hopes regarding the personnel of the delegations orally and unofficially at the same time that you transmit the formal and written invitation for participation in the Conference. Cable reply.<sup>34</sup>

POLK

810.51A/26

*The Acting Secretary of State to the Ambassador in Brazil  
(Morgan)*<sup>35</sup>

WASHINGTON, *July 3, 1919.*

SIR: Referring to Department's circular telegram of May 24, 1919, I enclose, at the request of the Secretary of the Treasury, a letter addressed by him to the Minister of Finance of the Government to which you are accredited transmitting a tentative program for the Second Pan American Financial Conference to be held in this capital January 12-17, 1920.

<sup>31</sup> For the proceedings of this Conference, see *Report of the Secretary of the Treasury to the President on the Second Pan American Financial Conference at Washington, January 19-24, 1920*, Washington, Government Printing Office, 1921.

<sup>32</sup> The same, *mutatis mutandis*, May 24, to the diplomatic representatives in all other Latin American countries.

<sup>33</sup> 39 Stat. 1052.

<sup>34</sup> Acceptances received from all governments addressed; not printed.

<sup>35</sup> The same, *mutatis mutandis*, July 3, to the diplomatic representatives in all other Latin American countries, except that the instruction to Mexico contained only the first and last paragraphs.

You will perceive that the Minister of Finance is requested to hold a meeting of his National Section of the International High Commission, on August 25 next, in accordance with the established practice of this Commission to hold simultaneous meetings at appropriate intervals.

You will immediately deliver to the Minister of Finance the letter of the Secretary of the Treasury, communicating to this Department any reply which he shall make.

I am [etc.]

WILLIAM PHILLIPS

[Enclosure]

*The Secretary of the Treasury (Glass) to the Brazilian Minister of Finance*<sup>36</sup>

WASHINGTON, *undated*.

MY DEAR MR. MINISTER: Your Excellency will, by this time, have received formal notice that the Second Pan American Financial Conference will meet in Washington, by the invitation of the President of the United States, on the morning of January 12, 1920. I venture at this time to call the attention of Your Excellency to certain matters concerning this Conference to which the Central Executive Council is now giving consideration. Subsequently, I shall take the liberty of requesting an expression of your views concerning related matters.

The Second Pan American Financial Conference will take place at a time when the entire world will be undergoing a process of substantial change and readjustment. The American continent, by reason of its great and as yet undeveloped resources, is destined to play a leading part in this work of economic reconstruction. The coming together of delegates from all sections of the continent will furnish the opportunity for an interchange of views as to the best means of meeting the new obligations which have been thrust upon us.

The First Pan American Financial Conference took place, as Your Excellency will no doubt recall, at Washington, in May 1915.<sup>37</sup> Upon the basis of its recommendation, the International High Commission was established and has sedulously labored to put into effect the resolutions of the Conference.<sup>38</sup> At the first general meeting of the Commission at Buenos Aires in April, 1916, concrete form was given to the problems at that time regarded as of a most practical and urgent character.<sup>39</sup> A report of the work accomplished

<sup>36</sup> The same, *mutatis mutandis*, to Haiti. Spanish versions were sent to all the other countries concerned, the one to Mexico being somewhat different in tenor from the others.

<sup>37</sup> See *Proceedings of the First Pan American Financial Conference . . . Washington, May 24 to 29, 1915*, Washington, Government Printing Office, 1915.

<sup>38</sup> See *Foreign Relations*, 1915, pp. 20-24.

<sup>39</sup> See *ibid.*, 1916, pp. 18-29.

by the commission since that time will be submitted in due course by the Central Executive Council. As Your Excellency will have realized, the Commission has at least brought matters to an advanced stage, even though it has not made effective all that it had hoped to carry out. I shall be grateful if Your Excellency would indicate to the Council any problems which it seems important to add to those hitherto studied by the International High Commission, with a view to their consideration by the Second Financial Conference.

The chief problem of the Second Pan American Financial Conference will be a clear and accurate presentation of the financial and commercial needs of each of the countries of the American continent and the formulation of plans by which those needs may be met. The specific form in which this problem should be expressed is indicated by the tentative program which I have the honor herewith to lay before Your Excellency. Some questions on this program can be considered in a satisfactory manner only if a detailed statement of what you believe to be the financial needs of Brazil at the present time and in the immediate future, is submitted for full and searching analysis. In order better to prepare not only for the Pan American Financial Conference, but also for the personal conference with Your Excellency, to which I look forward as one of the most helpful features of the meeting, I would be glad to begin, not later than the middle of October, a careful examination of such a complete enumeration and explanation of the financial requirements of Brazil.

It has seemed desirable to the Central Executive Council of the International High Commission that all the Sections of the Commission should consider the character and scope of the tentative program at an early date, and I, therefore, venture to request that Your Excellency be so good as to convene the members of the National Section of Brazil, in accordance with our now established rule of simultaneous meetings, on the morning of August 5 [25], 1919, transmitting at your earliest convenience the valuable conclusions arrived at by your Section.

Your Excellency's kind cooperation in frankly setting forth your views concerning the considerations briefly presented in this communication and the tentative program now submitted will be deeply appreciated; and with cordial sentiments of esteem, we extend once more the assurances of our profound regard.

CARTER GLASS

*Secretary of the Treasury of the United States, and President of the Central Executive Council of the International High Commission*

L. S. ROWE

*Secretary-General*

[Subenclosure]

*Tentative Program for the Second Pan American Financial Conference*

WASHINGTON, *January 12, 1920.*

- I. The effect of the war on the commerce and industry, manufacturing and mining, agriculture and public utilities, of the Republics of the American continent.
  1. To what extent has the war stimulated the development of domestic resources, so as to create greater economic independence? To what extent has it delayed this development?
  2. Urgent present public financial needs—
    - a. For the liquidation or funding of existing financial obligations;
    - b. For the further development of public enterprises.
  3. Urgent present financial needs in commerce and industry.
- II. How can required capital and credit facilities best be provided?
  1. To what extent can these requirements be met by domestic capital?
  2. To what extent is foreign capital required?
    - a. Improved banking facilities.
    - b. Acceptances.
    - c. The creation of a market for the distribution of foreign government and corporate securities. The establishment of investment companies.
    - d. The direct investment of capital in foreign enterprises, industrial and commercial, and in the construction of public works.
- III. National credit, and the factors affecting it.
  1. Extent and nature of the public debt.
  2. The national fiscal system, with special reference to sources and adequacy of revenues.
  3. The relation of the fiscal system to currency reform.
  4. What guaranties and remedies are provided by law in the case of provincial and municipal loans?
- IV. The effect of the war on transportation facilities. Requirements of the present and immediate future.
  1. To what extent has the war affected transportation facilities on land and sea?
  2. Laws and regulations to provide for the encouragement of shipping facilities between the American Republics.
  3. The removal of obstacles in the way of transportation facilities, through adequate provision for lighthouses and other aids to navigation, and through agreement as to

harbor and quarantine regulations, entrance and clearance, docking, lading and unlading facilities.

4. Freight rates.
5. Maritime insurance facilities.

V. Measures to facilitate commercial intercourse among the American Republics.

1. Commercial Travelers Treaty.<sup>40</sup>
2. The International Gold Clearance Fund Treaty.<sup>41</sup>
3. Parcel post facilities and lower postal rates.
4. Cable facilities; wireless telegraphy.
5. Uniform customs regulations; the prevention of the undervaluation of merchandise in export and import declarations.
6. The establishment of free ports.
7. Improved warehouse facilities.

VI. The development of uniformity of legislation in relation to—

1. Bills of exchange and checks; bills of lading and warehouse receipts.
2. Contracts regarding the consignment of merchandise in foreign trade, and the conditions of acceptance or rejection of merchandise.
3. Commercial arbitration; agreements between the Chambers of Commerce of the American Republics, with special reference to the agreements between the Chambers of Commerce of Buenos Aires, Montevideo and Guayaquil and the Chamber of Commerce of the United States.
4. Patent and copyright law; the protection of trade marks, especially through the establishment of the International Trade Mark Bureaus at Havana and Rio de Janeiro.
5. Uniform admiralty law.

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810.51A/59a : Circular telegram

*The Acting Secretary of State to the Diplomatic Representatives in All Latin American Countries*

WASHINGTON, September 25, 1919, 7 p.m.

At the instance of Secretary of Treasury inform Government to which you are accredited that expenses of delegates sent to the Second Pan-American Financial Conference to be held at Washington January 12 and 17, 1920, will be defrayed by this Government during the period of their stay in Washington for the purposes of the Conference. It is requested that delegates shall reach Washington not later than the evening of January 9, 1920.

PHILLIPS

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<sup>40</sup> See pp. 45 ff.

<sup>41</sup> See pp. 42 ff.



CONVENTIONS FOR THE ESTABLISHMENT OF AN INTERNATIONAL  
GOLD-CLEARANCE FUND<sup>42</sup>

810.51/933b, 933a

*The Acting Secretary of State to the Chargé in Bolivia (Goold)*<sup>43</sup>

WASHINGTON, July 16, 1919.

SIR: Referring further to the project for a convention between the United States and other American Republics to establish an international gold-clearance fund there are transmitted herewith five copies of the draft of the proposed convention in Spanish and five copies in English.

The enclosed draft is drawn up in accordance with the directions for preparing a definitive text communicated to you in the Department's circular telegram of March 19, 6 p.m.<sup>44</sup> Attention should be called to the proviso of the second paragraph of Article four, as it appears for the first time in the enclosed draft. It was suggested by the Treasury Department while the circular telegram of March 19, was under consideration, but agreement as to the form which it should take was not reached in time to have it brought to the attention of the National Councils of the International High Commission at the meetings held on March 24. It is believed that the enclosed draft may be considered final except in so far as modifications may be required to meet the suggestions of the foreign governments.

The Department would be pleased to have you bring copies of the enclosed printed texts to the attention of the Minister of Foreign Affairs of Bolivia, and advise him that this Government would be pleased to be informed as to the views of the Bolivian Government

<sup>42</sup> Conventions which followed the terms of the draft here printed, were signed with the Governments of Guatemala, Haiti, Panama, and Paraguay, and a convention in similar terms with Ecuador; but none of these conventions was ratified by the United States.

<sup>43</sup> The same, *mutatis mutandis*, July 16, to the diplomatic representatives in Cuba, Ecuador, Guatemala, Honduras, Nicaragua, Salvador, Uruguay, and Venezuela; on July 21 to those in Argentina, Chile, and Panama (File No. 810.51/933c); on July 23 to the Minister in Haiti (File No. 810.51/933d); and on Sept. 16 to the Chargé in Peru (File No. 810.51/952a). A similar instruction was sent to the Minister in Paraguay on July 24 (File No. 810.51/928). In a similar instruction to the Minister in Colombia, July 16 (File No. 810.51/933a), the last paragraph reads:

In view of the attitude of the Colombian authorities toward this convention, as reported in your telegram of April 1, 9 a.m., and your despatch No. 29 of April 3, 1919, it would appear inadvisable to make further representations to the Colombian Government in regard to this matter at the present moment. The copies of the final revision of the text are sent you in order that the Legation may be informed of the general developments in the project, and for use in further negotiations with the Colombian Government in the matter whenever an opportune occasion develops. [Neither of the communications referred to is printed.]

<sup>44</sup> Not printed; it communicated certain alterations of the draft enclosed in the circular of Dec. 14, 1916. See *Foreign Relations*, 1916, p. 29.

in relation thereto and to enter upon negotiations to sign the convention either at La Paz or Washington if the Government of Bolivia is favorably disposed toward it.

I am [etc.]

WILLIAM PHILLIPS

[Enclosure]

*Draft of Convention for the Establishment of an International Gold-Clearance Fund*

WHEREAS experience has shown that the payment of debts arising in the course of commercial and financial transactions is often impeded and rendered difficult by reason of circumstances which interfere with and temporarily render impracticable the safe transportation of gold from one country to another, in consequence of which trade is deranged, values are rendered uncertain, and financial loss is incurred, the High Contracting Parties, being desirous to guard against such grave inconveniences, have decided to conclude a convention for that purpose, and to that end have appointed as their respective plenipotentiaries:

The President of the United States of America,

-----  
----- and

The President of the Republic of  
-----  
-----

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

ARTICLE I

With a view to stabilize exchange and facilitate the settlement of balances, the High Contracting Parties agree that all deposits of gold, made in banks designated for the purposes of this Convention within the jurisdiction of either of them for the purpose of paying debts incurred in the jurisdiction of the other, in the course of private commercial and financial transactions, shall be treated by the respective governments as constituting an international fund, to be used for the sole purpose of effecting exchange.

To this end the High Contracting Parties agree never to appropriate any of the moneys included in such fund; and they furthermore engage, each within its own jurisdiction, to guarantee the fund, in any and all circumstances, in war as well as in peace, against seizure by any public authority as well as against impairment by or as a result of any political action or change whatsoever.

## ARTICLE II

The High Contracting Parties agree to act as trustees of the fund mentioned in the preceding article, and for this purpose each of them will designate a bank within its own jurisdiction to hold any part of the fund there existing as joint custodian with such person or persons or such institution as the High Contracting Parties may concur in appointing for that purpose; and the High Contracting Parties further agree to invite other countries, with which either of them may have concluded similar conventions, to appoint representatives to take part in such joint custodianship.

Such joint custodians shall hold the moneys so entrusted to them, as part of the fund, subject to the order of the creditors for whom the fund is held.

## ARTICLE III

The details of the practical operations of the fund shall be regulated and determined by agreement between the designated depositary banks, and in order to simplify and facilitate such operations, the High Contracting Parties agree to take into consideration the reciprocal adoption of a uniform exchange standard, permitting the interchangeability of their gold coins, for which purpose they recommend the adoption of gold coins which shall be either a multiple or a simple fraction of a unit consisting of 0.33437 gramme of gold .900 fine.

## ARTICLE IV

This convention shall be ratified; and the ratifications shall be exchanged at ----- within two years, or sooner if possible.

Each High Contracting Party reserves the right to denounce this Convention at any time, it being however stipulated that the Convention shall remain in force for one year after notice of termination shall have been given by either High Contracting Party to the other, and that on the expiration of the term of one year after such notice, the said Convention shall altogether cease and terminate: *Provided*, that the guarantee of the fund herein given by each of the High Contracting Parties shall continue in full force and effect so long as any part of the fund on deposit within its jurisdiction at the date of the termination of this Convention shall remain unliquidated.

In testimony whereof the respective plenipotentiaries have signed these articles and have thereunto affixed their seals.

DONE in ----- copies, at -----  
this ----- day of ----- 1919.

[SEAL] -----

[SEAL] -----

CONVENTIONS FOR FACILITATING THE WORK OF TRAVELING  
SALESMEN <sup>47</sup>

Treaty Series No. 640

*Convention between the United States of America and Uruguay,  
Signed at Washington, August 27, 1918* <sup>48</sup>

The United States of America and the Oriental Republic of Uruguay, being desirous to foster the development of commerce between them and to increase the exchange of commodities by facilitating the work of traveling salesmen have agreed to conclude a convention for that purpose and have to that end appointed as their plenipotentiaries:

The President of the United States of America, Robert Lansing, Secretary of State of the United States; and

The President of Uruguay, His Minister, Doctor Don Baltasar Brum, Secretary of State in the Department of Foreign Relations;

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

ARTICLE I

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 Treaty, or otherwise, enemy nationals or other aliens whose presence it may consider prejudicial to public order and national safety.

<sup>47</sup> Conventions in terms similar to the one with Uruguay here printed were concluded with the following countries on the dates indicated:

	<i>Signed</i>	<i>Proclaimed</i>
Guatemala.....	Dec. 3, 1918.....	Aug. 27, 1919
Panama.....	Feb. 8, 1919.....	Dec. 10, 1919
Venezuela.....	July 3, 1919.....	Oct. 15, 1920
Salvador.....	Jan. 28, 1919.....	Jan. 22, 1921
Paraguay.....	Oct. 20, 1919.....	Apr. 28, 1922
Costa Rica.....	Mar. 31, 1924.....	June 26, 1924
Peru.....	Jan. 19, 1923.....	July 18, 1924

<sup>48</sup> In English and Spanish; Spanish text not printed. Ratification advised by the Senate, Oct. 10, 1918; ratified by the President, Oct. 23, 1918; ratified by Uruguay, Jan. 27, 1919; ratifications exchanged at Montevideo, Aug. 2, 1919; proclaimed, Aug. 11, 1919.

## ARTICLE II

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 viséed 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 Article I.

## ARTICLE III

A commercial traveler may sell his samples without obtaining a special license as an importer.

## ARTICLE IV

Samples without commercial value shall be admitted to entry free of duty.

Samples marked, stamped or defaced, in such manner that they can not be put to other uses, shall be considered as objects without commercial value.

## ARTICLE V

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.

## ARTICLE VI

All customs formalities shall be simplified as much as possible with a view to avoid delay in the dispatch of samples.

## ARTICLE VII

Peddlers and other salesmen who deal directly with the consumer but who have no established place of business in a given country shall not be considered as commercial travelers in that country but shall be subject to the license fees levied on business of the kind which they carry on.

## ARTICLE VIII

No license shall be required of:

(a) Persons traveling only to study trade and its needs, even though they initiate commercial relations, provided they do not make sales of merchandise.

(b) Persons operating through local agencies which pay the license fee or other imposts to which their business is subject.

(c) Travelers who are exclusively buyers.

#### ARTICLE IX

Any concession affecting any of the provisions of the present Treaty 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 X

This Convention shall be ratified; and the ratifications shall be exchanged at Montevideo within two years, or sooner if possible.

The present Convention shall remain in force until the end of six months after either of the high contracting parties shall have given notice to the other of its intention to terminate the same, each of them reserving to itself the right of giving such notice to the other at any time. And it is hereby agreed between the parties that, on the expiration of six months after such notice shall have been received by either of them from the other party as above mentioned, this Convention shall altogether cease and terminate.

In testimony whereof the respective plenipotentiaries have signed these articles and have thereunder affixed their seals.

DONE in duplicate, at Washington, this twenty-seventh day of August, 1918.

ROBERT LANSING [SEAL]

BALTASAR BRUM [SEAL]

#### ABROGATION OF TREATIES AND PROVISIONS OF TREATIES WHICH CONFLICTED WITH THE SEAMEN'S ACT OF MARCH 4, 1915<sup>49</sup>

Norway: Withdrawal of Denunciation of Treaty of July 4, 1827,<sup>50</sup> except as to Articles 13 and 14, Terminated as of July 1, 1916

711.572/29

*The Norwegian Minister (Bryn) to the Acting Secretary of State*

WASHINGTON, January 7, 1919.

MY DEAR MR. ACTING SECRETARY OF STATE: On February 2nd, 1918, the American Minister at Christiania gave official notification

<sup>49</sup> For papers of preceding years, see *Foreign Relations*, 1915, pp. 3 ff.; 1916, pp. 33 ff.; 1917, pp. 9 ff.; and 1918, pp. 3 ff.

<sup>50</sup> For text of treaty, see Hunter Miller (ed.), *Treaties and Other International Acts of the United States of America*, vol. 3, pp. 283 ff.

to the Norwegian Government in accordance with which our Treaty of Commerce and Navigation will terminate on February 2nd, 1919.<sup>51</sup>

During a conversation which I thereupon had with the Secretary of State, Mr. Lansing was good enough to say that if the Norwegian Government should be desirous of negotiating about a new treaty, he would be glad to enter upon such negotiations.

In reply to this agreeable offer I addressed, on June 11th, 1918, a personal note to Mr. Lansing,<sup>52</sup> informing him that I had received a communication from the Norwegian Government stating that the same will appreciate very much to negotiate about a new treaty of commerce and navigation as well as a special consular convention. I added that my Government would furnish me with the necessary instructions as soon as possible.

By a personal note to me, dated June 18, 1918, Mr. Lansing acknowledged the receipt of my said note.<sup>52</sup>

Owing to the uncertainty about the principles which will govern the commercial relations between the different nations after the conclusion of peace, my Government has as yet not been able to issue the necessary instructions to me as to the details of a new treaty of commerce and navigation. My Government is of opinion that it would be preferable to defer the negotiations until an appropriate time after the conclusion of peace when we shall have full knowledge of all guiding principles.

Out of such considerations the treaties of commerce and navigation between Norway and France, which had been denounced, have been extended for a period of three months, with the understanding that they will be further extended for three months at a time until a new treaty can be concluded.

The Norwegian Government is now seeking an arrangement on the same lines with Spain, whose treaty with Norway also had been denounced.

The Norwegian Government is desirous of obtaining a similar arrangement with the Government of the United States, whereby the termination of the Treaty of July 4th, 1827, would be postponed for three months, except as regard those articles in said treaty which the Government of the United States desires to terminate under any circumstances and possibly other articles.

If the Government of the United States agrees to withdraw the denunciation of the treaty for three months, the treaty would expire on May 2nd, 1919, except as regards certain specified articles which would expire on February 2nd, 1919, in accordance with the original notification of denunciation.

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<sup>51</sup> See *Foreign Relations*, 1918, pp. 5-7.

<sup>52</sup> Not printed.

It is understood that further provisional postponements of the entrance into force of the notification of denunciation, would be agreed upon for three months at a time until a new treaty of commerce and navigation can be concluded.

If you should be willing to agree to a provisional arrangement as outlined above, I presume that it would be sufficient to consign the same in diplomatic notes.

Hoping that you may find it possible to comply with my Government's desire, I beg you to believe me, my dear Mr. Polk,

Sincerely yours,

H. BRYN

711.572/29 : Telegram

*The Acting Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, January 24, 1919, 5 p.m.

397. For the Secretary of State.

Notice was given Norwegian Government on February 2, 1918,<sup>53</sup> and to Sweden on February 4, 1918,<sup>54</sup> of denunciation of Treaty of Commerce and Navigation of 1827 with Sweden and Norway. Treaty will therefore expire on February 2, 1919, as to Norway, and on February 4, 1919, as to Sweden. Norway was very anxious we should extend treaty for three months until a new treaty could be negotiated. I told him<sup>55</sup> I had no such power. Norwegian Government much disturbed, as they fear situation would be complicated if we had no treaty and urges withdrawal denunciation as to whole treaty, except as to Articles objectionable under provisions of Seamen's Act, so that remainder of treaty could run on and if we desire we could now give new notice denunciation so treaty could remain in force one year. Norway made similar request shortly after notice denunciation given, and by note of May 31, 1918 to American Minister, at Christiania, Department declined to withdraw notice.<sup>56</sup> Treaty with Spain, July 3, 1902, also denounced and Spanish Ambassador requests withdrawal denunciation.<sup>57</sup> This will expire shortly, and we will lose in Spain most favored nation treatment. Would like to have your views as to desirability of continuing this treaty with Norway, except Articles 13 and 14, pending negotiations of a new treaty, which for obvious reasons can not be done at this time, and also as to desirability of similar course with respect to Spanish treaty, except as to provisions objectionable under Seamen's Act. In case of Spanish Treaty it would seem clearly to our interest to have it continued.

POLK

<sup>53</sup> See *Foreign Relations*, 1918, pp. 5-7.

<sup>54</sup> See p. 68.

<sup>55</sup> The Norwegian Minister.

<sup>56</sup> See *Foreign Relations*, 1918, pp. 8-9.

<sup>57</sup> See pp. 54 ff.



711.572/30 : Telegram

*The Commission to Negotiate Peace to the Acting Secretary of State*PARIS, *January 31, 1919, 9 p.m.*[*Received January 31, 9 p.m.*]

520. Your 397 and 490.<sup>56</sup> Consider it desirable that Treaty of Commerce and Navigation [with] Norway, with exception of articles 13 and 14, be continued for time being and that similar course be adopted in connection with Spanish treaty. Lansing.

AM[ERICAN] MISSION

711.572/29

*The Acting Secretary of State to the Norwegian Minister (Bryn)*WASHINGTON, *February 1, 1919.*

MY DEAR MR. MINISTER: I have received your note of January 7, 1919, in which you refer to the notification given to the Norwegian Government on February 2, 1918, of the denunciation by the Government of the United States of the Treaty of Commerce and Navigation of July 4, 1827, and to the suggestions previously made as to negotiating a new treaty, and state that your Government is of the opinion that it would be preferable to defer the negotiations for a new treaty of commerce and navigation until after the conclusion of peace. You also state that the treaties of commerce and navigation between Norway and France were denounced, but that they have been extended for three months, with the understanding that they will be further extended for three months at a time until a new treaty can be concluded, and that a similar arrangement is being sought with Spain whose treaty with Norway has also been denounced, and that your Government would like to make a similar arrangement with this Government, whereby the termination of the Treaty of July 4, 1827 would be postponed for three months, except as to the two Articles in the Treaty which the United States desires to terminate, with the additional understanding that the expiration of the Treaty would be postponed in successive periods of three months until a new treaty can be concluded.

I may point out that the proposal of the Norwegian Government for the postponement of the termination of the Treaty for an indefinite number of successive periods of three months each would, in effect, amount to a continuation of the unobjectionable parts of the Treaty indefinitely, subject to termination upon three months' notice

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<sup>56</sup> No. 490 of Jan. 30, 2 p.m., not printed.

given by either Government, whereas by Article XIX it is provided that the Treaty may be terminable, after its original term, upon the expiration of twelve months following notice given at any time by either party.

The proposal of the Norwegian Government being, therefore, in effect a proposal to modify a provision of the Treaty, is not susceptible of being executed on the part of this Government in the manner suggested, there being no provision in the laws of the United States for such procedure.

The Government of the United States, however, in order to accede to the wishes of the Norwegian Government as far as possible, suggests that the solution of the matter may be effected by the withdrawal on the part of my Government of the notice of denunciation of this treaty, except as to Articles XIII and XIV, so that the existing Convention, except Articles XIII and XIV, shall remain in force, as to Norway, until a new notice is given in accordance with its provisions.

I take pleasure, therefore, in begging your Excellency kindly to acknowledge that the Government of the United States has formally withdrawn, as I hereby have the honor to do, the denunciation contained in the note of the American Minister at Christiania of February 2, 1918 to the Norwegian Foreign Office, except as to Articles XIII and XIV of the treaty, and that consequently the Treaty of Commerce and Navigation of July 4, 1827, except Articles XIII and XIV, which will expire on February 2, 1919, remains as to Norway in full force and effect.

I am [etc.]

WILLIAM PHILLIPS

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711.572/31

*The Norwegian Minister (Bryn) to the Acting Secretary of State*

WASHINGTON, *February 1, 1919.*

MY DEAR MR. ACTING SECRETARY OF STATE: I have the honor to acknowledge the receipt of your note of to-day's date in reply to my note of 7th ultimo regarding the desire expressed by my Government to extend the Treaty of Commerce and Navigation of July 4, 1827, which had been denounced by the United States Government on February 2d, 1918. My Government proposed the extension of the treaty for successive periods of three months until a new treaty could be concluded.

You state that such arrangement would imply a modification of the provisions for the termination of the treaty contained in its

Article XIX, and that such arrangement is not susceptible of being executed on the part of the Government of the United States, there being no provision in the laws of the United States for such procedure.

You are good enough to state that the Government of the United States, in order to accede to the wishes of the Norwegian Government as far as possible, suggests that the solution of the matter may be effected by the withdrawal on the part of the Government of the United States of the notice of denunciation of this treaty, except as to Articles XIII and XIV, so that the existing Convention, except Articles XIII and XIV, shall remain in force, as to Norway, until a new notice is given in accordance with its provisions.

You therefore ask me to acknowledge that the Government of the United States has formally withdrawn the denunciation contained in the note of the American Minister at Christiania of February 2, 1918 to the Norwegian Foreign Office, except as to Articles XIII and XIV of the treaty, and that consequently the Treaty of Commerce and Navigation of July 4, 1827, except Articles XIII and XIV, which will expire on February 2, 1919, remains as to Norway in full force and effect.

On behalf of the Norwegian Government I have hereby the honor to acknowledge that the Government of the United States has formally withdrawn the denunciation contained in the note of the American Minister at Christiania of February 2, 1918 to the Norwegian Foreign Office, except as to Articles XIII and XIV of the treaty, and that consequently the Treaty of Commerce and Navigation of July 4, 1827, except Articles XIII and XIV, which will expire on February 2, 1919, remains as to Norway in full force and effect.

I am [etc.]

H. BRYN

711.572/32 : Telegram

*The Acting Secretary of State to the Minister in Norway  
(Schmedeman)*

WASHINGTON, February 4, 1919, 4 p. m.

672. At request of Norwegian Government, denunciation of Treaty of Commerce and Navigation of July 4, 1827, contained in the note of the American Minister at Christiania of February 2, 1918 to the Norwegian Foreign Office was formally withdrawn on February 1 except as to articles 13 and 14 of the Treaty. Consequently the Treaty of Commerce and Navigation of July 4, 1827, except articles 13 and 14, which expired on February 2, 1919, remains as to Norway in full force and effect.

POLK

711.572/31

*The Acting Secretary of State to the Norwegian Minister (Bryn)*WASHINGTON, *February 27, 1919.*

MY DEAR MR. MINISTER: Referring to the exchange of notes between you and the Department of February 1, 1919, in respect to the withdrawal of this Government's notice of February 2, 1918, denouncing the treaty between the United States and Sweden and Norway of July 4, 1827, I desire to call your attention to the fact, as I have previously pointed out, that the Seamen's Act repealed the laws of the United States providing for the arrest of seamen deserting foreign ships in this country, effective as to the several Governments with which the United States had treaties in conflict with this Act, upon the expiration of the periods named in the several treaties for their denunciation; and that Articles 13 and 14 of the treaty of 1827 being in conflict with the provisions of the Act mentioned were terminated on July 1, 1916, by the notice given pursuant to the provisions of this Act;<sup>57</sup> and that consequently in withdrawing its notice of the denunciation of the Treaty, except as to Articles 13 and 14, this Government understands so far as the laws of the United States are concerned that these Articles terminated on July 1, 1916. I am persuaded that this is also the view of your Government, since on December 11, 1916,<sup>58</sup> you stated that your Legation, under date of September 13, 1916, had instructed Norwegian Consuls, pending the outcome of the negotiations, not to avail themselves of any treaty clause in conflict with the Seamen's Act.

I am [etc.]

FRANK L. POLK

711.572/33

*The Norwegian Minister (Bryn) to the Acting Secretary of State*WASHINGTON, *April 9, 1919.*

MY DEAR MR. ACTING SECRETARY OF STATE: In your note of February 27, 1919, relating to the exchange of notes between your Department and myself of February 1, 1919, you have called my attention to the fact that in withdrawing the denunciation of the Treaty of July 4, 1827, except as to articles 13 and 14, the Government of United States understands so far as the laws of the United States are concerned that these articles terminated on July 1, 1916. You presume that this is also the view of the Norwegian Government.

In reply to your said note I have the pleasure to inform you that I have been authorized by my Government to state to you that the Norwegian Government agrees to consider articles 13 and 14 of the

<sup>57</sup> *Foreign Relations, 1915, pp. 6-10.*<sup>58</sup> Note not printed.

Treaty to have been terminated on July 1, 1916, in accordance with the Notification which the United States Minister at Christiania addressed to the Norwegian Government on June 24, 1915.

I am [etc.]

H. BRYN

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**Spain: Withdrawal of Denunciation of the Treaty of July 3, 1902,<sup>59</sup> except as to Articles 23 and 24, Terminated as of July 1, 1916; Understanding with respect to Spanish Transport Taxes and American Income Tax**

711.5221/12

*The Spanish Ambassador (Riaño) to the Acting Secretary of State*

[Translation]

No. 104

WASHINGTON, *February 12, 1919.*

MR. SECRETARY: With reference to our conversation of December 28th and under instructions received from my Government, I have the honor to propose to Your Excellency to cancel the denunciation of the Treaty of Friendship and General Relations of July 3, 1902 by the Government of the United States<sup>60</sup> and to abrogate instead Articles 23 and 24 of that Treaty.

Thanking Your Excellency for the early and favorable attention which, I have no doubt, you will give to this matter, I gladly avail myself [etc.]

JUAN RIAÑO

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711.5221/14

*The Spanish Ambassador (Riaño) to the Acting Secretary of State*

Personal

WASHINGTON, *April 2, 1919.*

MY DEAR MR. SECRETARY: As you will doubtless recall, following a private conversation which I had with you on February 11th ultimo and acting upon your authority to do so, I telegraphed my Government, that the Government of the United States was disposed to withdraw its denunciation of the Treaty of Friendship and General Relations between the United States and Spain, of July 1902, subject to the elimination of articles 23 and 24 which were in conflict with the Seaman's Act; as had been proposed by the American Ambassador in Madrid, previously to the denunciation of the Treaty.

My information of the disposition of this Government in the matter, was very gratifying to His Majesty's Government, which

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<sup>59</sup> For text of treaty, see William M. Malloy (ed.), *Treaties, Conventions, International Acts, Protocols and Agreements between the United States of America and Other Powers*, vol. II, pp. 1640 ff.

<sup>60</sup> See *Foreign Relations*, 1918, pp. 3 (footnote 2) and 10.

received it as a token of the desire of the United States that the cordial relations established by this Treaty between the two countries should not be allowed to suffer by the discontinuance of the pact; but should continue to prosper and develop under the agreement of the Treaty in question which has proved so beneficial to the interests of the United States and of Spain since it has been in force.

As the date on which the Treaty will elapse is drawing near, and as, as far as I know, no steps have as yet been taken by the Government of the United States to effect the withdrawal of the denunciation which you assured me on February 11th would be done in the near future, I take the liberty, acting upon instructions received from my Government, to call your attention to the matter, with the request and earnest hope that instructions be communicated, as soon as possible, to the proper Authority, in order that the withdrawal of the denunciation of the Treaty by the United States be effected.

Believe me [etc.]

JUAN RIAÑO

711.5221/12: Telegram

*The Acting Secretary of State to the Ambassador in Spain  
(Willard)*

WASHINGTON, April 8, 1919, 6 p.m.

No. 2116. Department's telegram 2107, April 4, 1919, 11 A.M.<sup>61</sup>

You will address a note to Minister of Foreign Affairs textually as follows:

"By a note dated May 8, 1918, after stating that since the Spanish Government apparently considered that it was not in a position to acquiesce in the arrangement proposed by my Government to eliminate from the treaty of July 3, 1902, as of July 1, 1916, the stipulations which were inconsistent with the provisions of the Act of Congress approved March 4, 1915, known as the Seamen's Act, I gave your Excellency, on behalf of the Government of the United States, a notice of termination of the treaty in its entirety, whereby the treaty would in due course expire on May 8, 1919.

On February 12, 1919, the Spanish Ambassador at Washington proposed to the Government of the United States that it withdraw the notice of termination and abrogate instead Articles 23 and 24 thereof. I am instructed by my Government to say to your Excellency that it desires to accede to the wishes of the Spanish Government in this matter, but it is of the opinion that at this time and in this connection, two other matters which have been the subject of correspondence between the two Governments should be arranged.

On several previous occasions I have had the honor to point out to the Spanish Minister of Foreign Affairs that the Government of

<sup>61</sup> Not printed.

the United States is of the opinion that the discrimination by the Spanish Government against imports of American coal and coke by reason of the Spanish transport tax favoring coal coming into Spain from European countries was not in accordance with the equality and reciprocity of treatment assured to citizens of the United States by the treaty of July 3, 1902. In the note from the Minister of State to me of February 21, 1914,<sup>62</sup> it was pointed out that the readjustment desired by my Government could be accomplished only by means of a new law, and in a note of March 23, 1914,<sup>62</sup> the Minister of State suggested that an agreement on this point might be had by a special treaty between the two countries. Subsequently, however, by Royal Decree dated April 7, 1915, Spanish customs duties and transportation taxes on coal of foreign origin were removed. The Government of the United States is of the opinion that treatment equally favorable to that accorded by the Spanish Government to coal and coke from European countries should be permanently secured to American coal and coke at this time.

In proceeding therefore to the withdrawal of the notice of termination of the treaty of 1902, my Government desires to obtain the formal assurance of the Spanish Government that in the event that the Government of Spain shall revive the transport tax on coal imposed by the law of July 20, 1900,<sup>63</sup> or shall enact new legislation of similar kind, treatment will be accorded by the revised law to coal and by any new law to passengers and cargoes in either direction between the United States and Spain upon an equality with the treatment of coal and passengers and cargoes between Spain and the most favored nation as long as this treaty between the United States and Spain, or Articles 2, 7 and 8 thereof shall remain in force.

The other matter which my Government desires to have arranged at this time relates to the suggestion made to my Government by the Spanish Ambassador at Washington in notes dated February 3, March 10, and March 18, 1919,<sup>64</sup> that certain provisions of the Income Tax Laws of the United States and their administration are in violation of Article 2 of the Treaty of July 3, 1902. The Ambassador referred particularly to the provision that citizens or subjects of the two countries shall not be subjected to any taxes or conditions more onerous than those imposed upon the citizens or subjects of the country imposing the tax or condition. The Government of the United States is of the opinion that, under the terms of the 3d paragraph of Article 2, providing that such Article is not intended to constitute any exception from the tax laws made in the United States applying to foreigners in general, it is clear that neither the provisions nor the administration of either of the income tax laws in question constitute a violation of the treaty, since each of these laws and the administration of them treats aliens without discrimination in regard to the country of their citizenship. In connection with the withdrawal of the notice of the termination of the treaty in question,

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<sup>62</sup> Not printed.

<sup>63</sup> For correction of date of law to Mar. 20, see p. 65.

<sup>64</sup> Notes not printed.

my Government trusts that the Spanish Government will accede to the opinion of the Government of the United States that neither the income tax laws nor their administration constitute any violation of the treaty.

The Government of the United States has, therefore, instructed me, upon the receipt of satisfactory and formal assurances by the Spanish Government in respect of the two matters above set forth, formally to withdraw the notice of the termination of the treaty of July 3, 1902 contained in my note to the Minister of Foreign Affairs of May 8, 1918, except as to Articles 23 and 24, which shall be regarded by both Governments as abrogated, insofar as these Articles are in conflict with the Act of March 4, 1915, (38 Stat. L. 1164), such abrogation being effective from July 1, 1916, while the other provisions of these two Articles, especially those concerning the arrest, detention and imprisonment of deserters from war vessels, shall continue to remain in force. If your Excellency's Government is willing to accede to the proposals of the United States, I shall be pleased to be so advised at the earliest moment in order that I may thereupon take the necessary steps to withdraw the notice of the termination of the treaty of July 3, 1902, except as to Articles 23 and 24, before May 8 next."

Upon receipt of a reply to this note, you are instructed to telegraph its contents to the Department and to await further instructions.

POLK

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711.5221/15

*The Spanish Ambassador (Riaño) to the Acting Secretary of State*

[Translation]

No. 5-02

WASHINGTON, April 21, 1919.

MR. SECRETARY: By order of His Majesty's Government, I have the honor to apply to Your Excellency and to say that the Ambassador of the United States at Madrid sent under date of the 11th instant a note in which he puts on the extension of the Treaty of Friendship and General Relations the condition that all discriminations in regard to customs and coal shipments from Europe and America will be discontinued in Spain and that the claims preferred by the Embassy against the Income Tax Law will cease, and that the matter is to be taken under advisement and given urgent attention, but as the Treaty expires on the 8th of May next, it directs me to apply to Your Excellency in order to have the Government of the United States kindly grant an extension of time of two months in which the proposition can be duly examined by the Spanish official departments concerned, it being understood that Articles 23 and 24 will immediately be excluded.

I avail myself [etc.]

JUAN RIAÑO



711.5221/15

*The Acting Secretary of State to the Spanish Ambassador (Riaño)*

No. 1011

WASHINGTON, April 24, 1919.

EXCELLENCY: I have the honor to acknowledge the receipt of your Excellency's note of April 21, 1919, in which you refer to the communication addressed by the American Ambassador at Madrid on April 11, 1919, to the Minister of Foreign Affairs of the Spanish Government setting forth certain conditions on which this Government will withdraw its notice of termination of the Treaty of Friendship and General Relations concluded July 3, 1902, between the United States and Spain, except as to certain provisions contained in Articles XXIII and XXIV, which are inconsistent with the Act of Congress approved March 4, 1915, generally designated as the Seamen's Act, such inconsistent provisions in these articles to be eliminated as of July 1, 1916. Your Excellency states that the matter is being given urgent attention by the Spanish Government, but as the treaty expires on May 8 next, you have been directed by your Government to request this Government to enter into an arrangement whereby the date on which the notice of termination becomes effective will be postponed two months, so that the Spanish official departments concerned will have time to examine the proposals submitted by the Ambassador at Madrid on behalf of this Government, it being understood that Articles XXIII and XXIV of the treaty will immediately be excluded.

In reply, I have the honor to point out to your Excellency that Article XXX of this treaty provides that the treaty may be terminated after its original term, upon the expiration of twelve months following notice given at any time by either party. In case your Government's request were granted, it would have the effect of continuing the unobjectionable parts of this treaty in force for two months. No provision appears to have been made in the treaty whereby either government is authorized to postpone the date on which the notice of termination shall take effect, and such a postponement would appear to be in conflict with the provisions of Article XXX regarding the termination of the treaty.

In this relation it may be stated that the request of the Spanish Government is therefore in effect a proposal to modify a provision of the treaty. The laws of the United States do not appear to contain any provision whereby this Department is authorized to adopt such a procedure.

Under these circumstances I regret to be obliged to inform your Excellency that I cannot accede to the request of your Government.

Accept [etc.]

WILLIAM PHILLIPS

711.5221/18 : Telegram

*The Ambassador in Spain (Willard) to the Acting Secretary of State*

MADRID, May 3, 1919, noon.

[Received May 4, 5.27 p.m.]<sup>64</sup>

2622. Department's 2145 [2148], April 29, 7 p.m.<sup>65</sup> Instructions therein contained were promptly communicated to Foreign Office and Embassy is just in receipt of reply thereto in which Minister for Foreign Affairs under date of today acknowledges receipt of this Embassy's memorandum of the 1st instant giving reasons why the Government of the United States is unable to extend for a period of two months from May 8 the treaty under consideration. The Minister for Foreign Affairs states that the proposition to extend this treaty was formulated only for the object of giving the Spanish Government time in which to consider maturely the new questions presented by this Embassy in its note of April 11, questions which, he adds, cannot be decided by the Ministry of Foreign Affairs alone but require examination and consideration by other Ministries of the Spanish Government. The Minister for Foreign Affairs then adds that it is his desire to demonstrate again to the Cabinet at Washington and to this Embassy the spirit of deference and cordiality of the Spanish Council of Ministers and in order to avoid that the relations stipulated in the treaty under consideration should fail to give a common and reciprocal benefit as stated in the preamble of the same, he has striven to obtain and has succeeded in obtaining from his colleagues authority to submit the following proposition.

"If Your Excellency withdraws in the name of your Government the denunciation of the Treaty of Friendship and Friendly [*General*] Relations between Spain and the United States of America signed in Madrid July 3, 1902, the Government of His Majesty will continue maintaining on its part in force the said agreement, it being understood that the articles 23 and 24 will be considered as repealed on account of their being in conflict with the American Seaman Act of March 4, 1915, although the other provisions of those two articles, especially those which refer to the detention and imprisonment of deserters from ships of war, shall continue in force. It is unnecessary to say that reciprocally the consular officers of the United States in Spain will not be able to exercise the faculties [*powers*] of which, by virtue of the partial revocation of the said articles 23 and 24, the consuls of Spain in the United States are deprived. Meanwhile the treaty between Spain and the United States and its articles 2, 7 and 8 remain in force and on the supposition that if, in this period,

<sup>64</sup> Text printed from corrected copy received May 8, 7.11 a.m.

<sup>65</sup> Not printed; it transmitted the substance of the note of Apr. 24 to the Spanish Ambassador, for communication to the Foreign Office with a reminder of the necessity of an early reply.

the Royal Order of April 7, 1915, should be repealed, that the treatment of coals and cokes proceeding from the United States will be based on the equality with the treatment between Spain and the most favored nation. It will be understood that in conformity with the terms of paragraph 3 of article 2 of the treaty, said article will not be construed as annulling the laws of either of the two contracting countries, but that they shall be applicable to all seamen [*foreigners?*] in general and therefore in the concrete case of the laws imposed on incomes in the United States and its regulations up to the present time, the Government of His Majesty will not insist in sustaining that they are contrary to the treaty. In the security that Your Excellency will appreciate the value of the authorization which has been conceded me by my colleagues and the motive that guides it, I do not doubt I will receive the retirement [*withdrawal?*] of the notice before the 8th of May and in that security I have the honor to reiterate, and so forth."

WILLARD

711.5221/18: Telegram

*The Acting Secretary of State to the Ambassador in Spain (Willard)*

WASHINGTON, May 6, 1919, 6 p.m.

2156. Your 2622, May 3, noon.

You will address a note to the Minister of Foreign Affairs textually as follows:

"I have the honor to inform Your Excellency that I communicated to my Government the contents of your note of May 3, 1919 in reply to my note of April 11, 1919, regarding the conditions upon which my Government would agree to withdraw the notice of termination of the Treaty of Friendship and General Relations, concluded July 3, 1902 between United States and Spain. It is the understanding of my Government that these conditions are agreed to by the Spanish Government in your note of May 3, 1919. In order to accede to the wishes of the Spanish Government, set forth in the note of the Spanish Ambassador at Washington to my Government, dated February 12, 1919, I have the honor hereby on behalf of the Government of the United States to withdraw the notice of termination of the Treaty of Friendship and General Relations concluded between the United States and Spain, on July 3, 1902, except as to Articles 23 and 24, which shall be regarded by both Governments as abrogated in so far as these Articles are in conflict with the Act of March 4, 1915 (38 Stat. L. 1164), such abrogation being effective from July 1, 1916, while the other provisions of these two Articles, especially those concerning the arrest, detention, and imprisonment of deserters from war vessels shall continue in force, the withdrawal of the notice of termination of this treaty being expressly upon the condition that, in the event that the Spanish Government shall revive the transport tax on coal imposed by the law of July 20, 1900<sup>66</sup> or shall enact new legislation of similar kind, treatment will

<sup>66</sup> For correction of date of law, see p. 65.

be accorded by revised law to coal and by any new law to passengers and cargoes in either direction between the United States and Spain upon an equality with the treatment of coal and passengers and cargoes between Spain and the most favored nation as long as this treaty between the United States and Spain or Articles 2, 7 and 8 thereof shall remain in force and upon the further express condition that neither the income tax laws of the United States nor their administration constitute any violation of the provisions of this Treaty.

I shall be pleased to receive your formal acceptance on behalf of the Government of Spain of this notice of withdrawal which will be regarded as an acceptance of the conditions upon which it is made.”

Your 2622 received badly garbled and Department is not sure that the Foreign Minister's note responds in all respects to your note of April 11, 1919. In particular the matter of “passengers and cargoes in either direction between the United States and Spain” seems not to be referred to by the Foreign Minister. It has been necessary therefore to formulate the notice of withdrawal as set forth above, in order that the acceptance thereof which is specifically requested may be regarded as concurrence in the conditions on which the withdrawal is made.

POLK

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711.5221/21 : Telegram

*The Ambassador in Spain (Willard) to the Acting Secretary of State*

MADRID, May 11, 1919, 10 a.m.

[Received May 12, 10 a.m.] <sup>67</sup>

2635. Department's 2156, May 6, 6 p.m. Embassy complied with instructions therein contained in note to Foreign Office under date of May 8th delivered upon said date and to which Foreign Office has replied under the date of May 9th as follows:

“Excellency: In your kind note of yesterday, withdrawing in the name of your Government the notice of the termination of the Treaty of Friendship and General Relations between Spain and the United States, of July 3rd, 1902, Your Excellency asks me to notify you of the formal acceptance by the Government of His Catholic Majesty of said withdrawal, adding that said acceptance shall be considered ‘as [an] acceptance of the conditions upon which it is made’ such conditions are summed up in the above mentioned note of Your Excellency and in order to avoid any possible misunderstanding I take the liberty of mentioning them in detail and of making suitable statements regarding each one of them.

Above all Your Excellency says that articles 23 and 24 ‘shall be regarded by both Governments as abrogated, in so far as these articles are in conflict with the act of the 4th of March, 1915 (38

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<sup>67</sup> Text printed from corrected copy received about May 31.

statutes 1164), such abrogation being effective from July 1, 1916, while the other provisions of these two articles, especially those concerning the arrest, detention and imprisonment of deserters from war vessels shall continue in force.'

Concerning this point I have already accepted in the name of His Majesty's Government, by declaring in my note of the 3d instant that 'articles 23 and 24 will be considered as repealed in so far as they are in contradiction with the American Seamen Act of March 4th, 1915, although the other provisions of those two articles, especially those which refer to the detention and imprisonment of deserters from war vessels, shall continue in force. It is unnecessary to say—I added—and Your Excellency will find it entirely just, that reciprocally the consular officers of the United States in Spain will not be able to exercise the faculties [*powers*] of which, by virtue of the partial revocation of the above mentioned articles 23 and 24, the consuls of Spain in the United States are deprived.'

Your Excellency says 'The withdrawal of the notice of the termination of this treaty being expressly upon the condition that in the event that the Spanish Government shall revive the transport tax on coal imposed by the law of July 20, 1900,<sup>68</sup> or shall enact new legislation of similar kind, treatment will be accorded by revised law to coal and by any new law to passengers and cargoes in either direction between the United States and Spain, upon an equality with the treatment of coal and passengers and cargoes between Spain and the most favored nation, as long as this treaty between the United States and Spain or articles 2 [, 7] and 8 thereof shall remain in force.' With respect to this I answered Your Excellency: 'Meanwhile, treaty between Spain and the United States and its articles 2, 7 and 8 remain in force and on the supposition that in this period the Royal Order of April 7th, 1915, is repealed, the treatment of coals and cokes proceeding from the United States will be based on the equality with the treatment between Spain and the most favored nation.'

In fact, His Majesty's Government which by above mentioned Royal Order suppressed the transport tax upon coals and cokes, considers itself in a position not to reestablish tax except upon acknowledged conditions, one of which might be the equality of treatment, upon [*from*] this point of view, between articles from the United States and those of other countries, which before were more favored in the tariff. The attitude of His Majesty's Government upon this point will be appreciated by the Government of the United States which since the year 1916 has been requesting a decision in this sense. Furthermore I must inform Your Excellency that, by virtue of article 18 of the so-called Law of Maritime Communications of June 14, 1909, and the Royal Decree of January 28, 1910, issued by the Ministry of Fomento, there are already exempted from payment of transport tax on certain conditions several articles, among which are included cotton, petroleum, hoops and lime phosphates. But as regards the obligation that any new law should grant to passengers and cargoes in each direction between the United States and Spain

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<sup>68</sup> For correction of date of law, see p. 65.

the equality of treatment with passengers and cargoes of the most favored nation, Your Excellency will understand that the Government of His Majesty has no faculties [*power*] to contract it, because the particular matter to which I refer, that is, the transport tax, is regulated by a law that has not been repealed, and whose annexed tariffs are based upon the distinction of navigation between classes, the last of which concerns all articles outside of Europe. The obligation of the acceptance of the above mentioned point should constitute a fundamental amendment to said tax, and Your Excellency will understand—I repeat—that the Government of His Majesty is not prepared for such an important change which must always require the intervention of the Cortez and which would exceed the advantages extended to other countries of America and to extra-European countries in general.

Since the beginning I have supposed that the Government of Your Excellency recognized this and did not attribute to the matter a decisive influence upon the present negotiation, because the note of Your Embassy of April 11th in expressing the wishes resolved [*sic*] at this moment 'from [*two?*] other matters' which had been the subject of correspondence between both Governments alluded to the 'differential treatment by the Spanish Government of importations of American coal and coke by reason of the Spanish transport tax.' After recalling that this treatment had been suppressed since April 7th, 1915, it added that 'Government of the United States is of the opinion that treatment equally favorable to that accorded by the Spanish Government to coal and coke from European countries should be permanently secured to American coal and coke at this time.'

Lastly it is said in Your Excellency's note that the withdrawal of the denunciation is made 'upon the further express condition that neither the income tax laws of the United States nor their administration constitute any violation of the provisions of this treaty.' To which I have answered taking up the reasons set forth by Your Excellency in your note of April 11: 'It will be understood that in conformity with the terms of paragraph 3 of article 2 of the treaty, said article will not be construed as annulling the laws of either of the two contracting countries, but that they shall be applicable to all foreigners in general, and therefore, in the concrete case of the laws imposed on incomes in the United States and its regulations up to the present time, the Government of His Majesty will not insist in sustaining that they are contrary to the treaty.[']

By the terms of the present note I consider myself informed, in the name of His Majesty's Government, of the withdrawal of the termination of the United States of the Treaty of Friendship and General Relations between both countries of July 3, 1902, which will continue in force upon the expressed conditions, as if the denunciation had never been made; that is to say, that as the treaty ended its first and normal period of force on the 14th of April 1913, now it has to continue in force for twelve months after one of either of the contracting parties notifies the other of its intention to amend it or to terminate it.

If Your Excellency has anything to remark in connection with the premises, I should appreciate it if you would inform me with all possible urgency; in [the meantime?] I avail myself of the opportunity to renew to Your Excellency the assurances of my highest considerations."

WILLARD

711.5221/21: Telegram

*The Acting Secretary of State to the Ambassador in Spain  
(Willard)*

WASHINGTON, June 13, 1919, 5 p.m.

2199. Your 2635, May 11, 10 a.m.

You will address a note to the Foreign Office textually as follows:

"In Your Excellency's note of May 9, 1919, you set forth in detail your acceptance, with certain reservations, of the conditions contained in my note of May 8, 1919, by which my Government informed the Spanish Government of the withdrawal of the notice of termination of the Treaty of Friendship and General Relations of July 3, 1902, previously given by my Government. In order that Your Excellency may clearly understand the views of my Government concerning the reservations set forth in your note of May 9, I have the honor to state that my Government has instructed me to communicate its views to you as follows:

1. With regard to Your Excellency's acceptance of the termination as of July 1, 1916, of the provisions of Articles 23 and 24 of this Treaty which are inconsistent with the Act of Congress approved March 4, 1915, on the understanding that Consuls of the United States in Spain will not exercise the powers of which Spanish Consuls in the United States are deprived by the provisions of the American Seamen's Act, I have the honor to inform Your Excellency that this Government agrees to the termination of the rights exercised by Consuls of the United States in Spain in so far as the powers of Spanish Consuls in the United States are terminated because certain of the provisions of Articles 23 and 24 are in conflict with the provisions of the Act of Congress approved March 4, 1915.

2. As regards the assurances given on behalf of His Majesty's Government concerning the imposition of the transport tax, or a similar tax, on coal and coke, my Government understands that in the event that the Spanish Government revives the transport tax on coal and coke imposed by the law of March 20, 1900, or shall enact new legislation of a similar kind, treatment will be accorded by such revived law or by any new legislation upon an equality with the treatment accorded coal and coke transported between Spain and the most favored nation as long as this treaty or Articles 2, 7 and 8 thereof remain in force.

3. Furthermore, my Government understands that in case the Spanish Government revives the transport tax on several articles among which are included cotton, petroleum, hoops and lime

phosphates', referred to in Your Excellency's note, which Your Excellency states are now exempted from the payment of the transport tax by virtue of the provisions of Article 18 of the so-called law of Maritime Communications of June 14, 1909, and the Royal Decree of January 28, 1910, issued by the Ministry of Fomento, or shall enact new legislation similar to the transport tax, all of these articles will be treated by such revived law or by any new legislation upon an equality with the treatment accorded these articles when transported between Spain and the most favored nation as long as this treaty or Articles 2, 7 and 8 thereof remain in force.

4. With respect to the observations made in Your Excellency's note regarding the inability of His Majesty's Government to contract an obligation to grant to passengers and cargoes in each direction between the United States and Spain equality of treatment with passengers and cargoes of the most favored nation, my Government instructs me to say that in refraining from further insistence upon this point at the present time my government does so without prejudice to its opening the question again hereafter should it be deemed appropriate to do so.

In conclusion, I beg to state under instructions of my government that the assurances of Your Excellency which are set forth in your note of May 9th, and which are understood in the sense herein indicated, are regarded as sufficiently fulfilling the conditions mentioned in my note of May 8 withdrawing the notice of termination of the treaty of 1902, and in consideration of the understanding reached, I have the honor to advise you on behalf of the government of the United States that this notice of termination stands withdrawn as if never given.

In this relation my government asks to be informed whether it will be necessary for the Spanish Government to issue any decrees or to enact any legislation to put this arrangement in effect. In case such acts are necessary, my Government expresses the hope that such decrees or legislation as may be necessary to bring existing laws into harmony with the provisions of this arrangement will be enacted promptly and that steps will be taken for that purpose immediately by the Spanish Government.

In this connection my government instructs me to call attention to the fact that, in the note which I had the honor to deliver to you, pursuant to instructions from my government, on April 11, 1919, and subsequent correspondence, the law imposing the transport tax was referred to by inadvertence as the law of July 20, 1900. The law which my government intended to refer to was the law of March 20, 1900, and I have the honor to request your Excellency to inform me that you understand that reference was made to the law of March 20, 1900 in our previous correspondence concerning this matter."

In this relation you are instructed to obtain official copies of the law of Maritime Communications of June 14, 1909, and of the Royal Decree of January 28, 1910, and to forward them to the Department.

POLK



711.5221/24: Telegram

*The Acting Secretary of State to the Ambassador in Spain (Willard)*

WASHINGTON, September 5, 1919, 6 p.m.

2255. Telegraph whether reply received to representations made pursuant Department's 2199, June 13, 5 p.m. If not, request reply.

PHILLIPS

711.5221/25: Telegram

*The Ambassador in Spain (Willard) to the Secretary of State*

MADRID, September 7, 1919, 7 p.m.

[Received September 8, 8.49 p.m.]

2778. Department's 2156 [2255], September 5th, 6 p.m. Minister of State replied under date of September 3rd, in translation as follows:

"With reference to the Embassy's note of June 16th<sup>69</sup> last and to my predecessor's note of May 9th,<sup>70</sup> in which he made in detail certain reservations respecting the withdrawal by the Government of the United States of notice of the termination of the Treaty of Friendship and General Relations of July 3rd, 1902, I have the honor to bring the following to Your Excellency's attention:

Firstly. The Government of His Majesty does not contemplate suppressing the exception to the payment of the transport tax which originated from Article 18 of the so-called Law of Maritime Communications of June 14th, 1900 [1909], and from [the] Royal Decree of [January] 28th, 1910, emanating from Minister of Fomento, but cannot assume any obligation whatsoever [in this] respect; nor do I believe that, after a renewed examination of the matter by the Cabinet of Washington, it will appear necessary to it, inasmuch as the Treaty of Friendship and General Relations between Spain and the United States of 1902 is denounceable now with only one year's notice, [so] that any reform of legislation in one or the other country prejudicial to the other party should find its most adequate remedy in a new denunciation.

Secondly. The Government of His Majesty takes note of the purpose of the Cabinet of Washington, as set forth in paragraph 4 of Your Excellency's note of the 16th of June last, to reopen later, if it considers it advisable, the question of the favored nation clause respecting passengers and cargoes between Spain and the United States, it being understood that this does not constitute, directly or indirectly, a condition to the withdrawal of the denunciation.

Thirdly. In accordance with Your Excellency's request contained in the Embassy's note dated [April] 11 last in which no [sic] mention was made of the law which established the transport tax, it is understood that [the Government of the United States] intended to refer to the law of March 20th, 1900.

<sup>69</sup> See telegram No. 2199, June 13 to the Ambassador in Spain, p. 64.

<sup>70</sup> See telegram No. 2635, May 11 from the Ambassador in Spain, p. 61.

Lastly, I have to inform Your Excellency that these agreements do not necessitate, on the part of His Majesty's Government the promulgation of any legal [*legislative*] measures and that the only requisite will be the publication in the *Gaceta de Madrid* of the partial denunciation of Articles 23 and 24 of the treaty of July 3rd, 1902."

WILLARD

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Sweden: Termination of the Treaty of July 4, 1827, on February 4, 1919;  
Continuance of the Convention of June 1, 1910<sup>71</sup>

711.5821/44

*The Secretary of State to the Minister in Sweden (Morris)*

No. 551

WASHINGTON, December 20, 1918.

SIR: On May 29, 1918 [1915], this Department instructed you to bring to the attention of the Swedish Minister for Foreign Affairs the provisions of the Act of March 4, 1915, known as the Seamen's Act, and to say to him that, pursuant to the provisions of that Act, the Government gave notice of its intention to abrogate Articles XI and XII of the Treaty of June 1, 1910 with Sweden, in accordance with the stipulations in the Treaty.<sup>72</sup>

You will please send to the Department for its files, a copy of the note which was sent to the Swedish Foreign Office in compliance with these instructions, together with a copy of the reply received from the Swedish Foreign Office.

I am [etc.]

For the Secretary of State:

WILLIAM PHILLIPS

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711.0021/105

*The Acting Secretary of State to the Attorney General (Gregory)*

WASHINGTON, December 31, 1918.

SIR: I have the honor to refer to your letter to this Department dated June 7, 1916,<sup>73</sup> asking for information as to what treaties have been denounced under the provisions of the Seamen's Act, and on what dates they ceased to be of effect.

In the reply of this Department to your letter, dated June 17, 1916,<sup>73</sup> it was stated that notice had been given to the Governments therein named of the abrogation of certain treaty stipulations, such abrogation to take effect on July 1, 1916, and included among these

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<sup>71</sup> For text of treaty, see Malloy, *Treaties*, vol. II, pp. 1748 ff.; for text of convention, see *ibid.*, vol. III, pp. 2846 ff.

<sup>72</sup> See *Foreign Relations*, 1915, pp. 6-10.

<sup>73</sup> Not printed.

treaty provisions was the treaty with Sweden, June 1, 1910, Articles XI and XII.

The Government of Sweden did not agree to the termination of the parts of the treaty of June 1, 1910, above named, and as the Convention in question is by Article XV thereof not terminable until the expiration of ten years from the date of the exchange of ratifications (March 18, 1911) upon notice given twelve months prior to the close of that period, this Department understands that the Convention is still in force and will remain in force until March 18, 1921.

I shall be glad if you will advise the representatives of the Department of Justice in accordance with the views herein expressed.

I have [etc.]

For the Acting Secretary of State:

WILLIAM PHILLIPS

*Assistant Secretary*

711.5821/45

*The Minister in Sweden (Morris) to the Acting Secretary of State*

No. 1557

STOCKHOLM, *January 28, 1919.*

[*Received February 26.*]

SIR: I have the honor, in conformity with the Department's instruction No. 551 of December 20, 1918, to enclose herewith a copy of the note sent to the Swedish Foreign Office on February 4, 1918, together with a copy of the reply from the Foreign Office received February 12th the same year, both notes concerning the abrogation of Articles XI and XII of the Treaty of June 1, 1910 with Sweden.

I have [etc.]

IRA N. MORRIS

[Enclosure 1]

*The American Minister (Morris) to the Swedish Minister for Foreign Affairs (Hellner)*

STOCKHOLM, *February 4, 1918.*

EXCELLENCY: Under instructions from my Government,<sup>74</sup> I have the honor to give to the Royal Swedish Government on behalf of the Government of the United States, the official notification contemplated by Article XIX of the treaty concluded by the Government of the United States with the Government of Sweden and Norway on July 4, 1827, whereby the operation of the treaty will terminate, in accordance with its terms, on February 4, 1919.

<sup>74</sup> Instruction No. 245, Dec. 28, 1917, which has not been printed, was in terms mainly similar to those of No. 180, of the same date, to the Minister in Norway, printed in *Foreign Relations*, 1918, p. 5.

As has been previously pointed out to the Government of Sweden, the application of the fundamental principles of the Act of Congress, approved March 4, 1915, to alien seamen within the territorial jurisdiction of the United States involved an abrogation of treaty provision inconsistent therewith. The President, therefore, using the discretion which he considered was granted to him to interpret the act in the sense contemplated by Congress, authorized this Legation to propose an arrangement between the two Governments which would carry out the purpose of the act by the elimination of stipulations in the treaty of July 4, 1827, inconsistent with the Act. Since the Swedish Government apparently considers that it is not in a position to acquiesce in an arrangement of this character, it appears that a satisfactory solution of the existing situation with regard to the stipulations in question can only be found in the denouncement of the treaty in its entirety. I have the honor to request that you be good enough to make acknowledgment to me of this notification.

I avail myself [etc.]

IRA N. MORRIS

[Enclosure 2—Translation]

*The Swedish Minister for Foreign Affairs (Hellner) to the American Minister (Morris)*

STOCKHOLM, *February 12, 1918.*

MR. MINISTER: I have the honor to acknowledge the receipt of your note of the 4th instant by which you have notified the Royal Government of the intention of the Government of the United States of America to terminate on February 4, 1919, the operation of the Treaty of Friendship and Commerce concluded between Sweden and the United States of America July 4, 1827.

I avail myself [etc.]

HELLNER

711.5821/45

*The Acting Secretary of State to the Minister in Sweden (Morris)*

No. 574

WASHINGTON, *March 14, 1919.*

SIR: The Department has received your despatch No. 1557 of January 28, 1919, in which it is stated that you enclosed a copy of the note sent by your Legation to the Swedish Foreign Office, together with a copy of the reply from the Foreign Office concerning the abrogation of Articles XI and XII of the Treaty of June 1, 1910, with Sweden.

The enclosures which you transmitted with your despatch refer to the abrogation of the treaty of July 4, 1827 with Sweden. You

will please send to the Department for its files a copy of the note which was sent to the Swedish Foreign Office in compliance with the Department's instructions of May 29, 1915, with regard to the abrogation of Articles XI and XII of the Treaty of June 1, 1910 with Sweden, and also a copy of the reply that you received.

I am [etc.]

For the Acting Secretary of State:

WILLIAM PHILLIPS

711.5821/48

*The Minister in Sweden (Morris) to the Secretary of State*

No. 1824

STOCKHOLM, *October 21, 1919.*

[*Received November 12.*]

SIR: Referring to my telegram No. 4154 of to-day<sup>75</sup> and to the Department's telegram No. 1706 of October 17th,<sup>75</sup> and instruction No. 574 of March 14, 1919, I have the honor to make the following report:

On June 21, 1915, Mr. Caffery, who was then in charge of this Legation, addressed to the Foreign Office a note (a copy of which is herewith enclosed) which was apparently based on the Department's unnumbered instruction of May 29, 1915, and to which no reply was received from the Foreign Office.<sup>76</sup> It will be noted that on the second page of Mr. Caffery's note to the Foreign Office he states "I have instructions to bring this subject to Your Excellency's attention and to say that pursuant to the provisions of this Act of March 4, 1915, the Government of the United States hereby gives notice of its intention to abrogate Articles 11 and 12 of the Treaty of June 1, 1910 with Sweden". An examination of the Legation's records fails to show why in this note reference is made to Articles 11 and 12 of the Treaty of June 1, 1910 instead of to Articles 13 and 14 of the Treaty of July 4, 1827, but this substitution would appear to account for the misunderstanding that seems to have arisen as to the intention of the United States with regard to the abrogation of treaties, or stipulations thereof, which are in conflict with the Act of March 4, 1915.

I have [etc.]

IRA N. MORRIS

<sup>75</sup> Not printed.

<sup>76</sup> The reply was delivered by the Swedish Minister at Washington in a note dated Oct. 18, 1915, which has not been printed, stating that his Government could only understand the American Government's communication as an announcement of its intention to abrogate the articles in question at the end of the period of ten years for which the convention was concluded (File No. 711.5821/29).

[Enclosure]

*The American Chargé (Caffery) to the Swedish Minister for Foreign Affairs (Wallenberg)*

STOCKHOLM, June 21, 1915.

EXCELLENCY:—I have the honor to transmit to you herewith a copy of an instruction from my Government regarding the amelioration of the conditions of seamen in merchant vessels of the United States and the effect of an Act of Congress, approved March 4, 1915, having to do with the improvement of the conditions of seamen, upon the treaties and conventions of the United States, in so far as they provided for the arrest and imprisonment of officers and seamen deserting or charged with desertion from merchant vessels of the United States in foreign countries, and for the arrest and imprisonment of officers and seamen deserting or charged with desertion from merchant vessels of foreign nations in the United States and territories and possessions thereof. I have instructions to bring this subject to Your Excellency's attention and to say that pursuant to the provisions of this Act of March 4, 1915, the Government of the United States hereby gives notice of its intention to abrogate articles 11 and 12 of the treaty of June 1, 1910, with Sweden, in accordance with the stipulations in the treaty requiring 12 months notice for the termination of a specified period of ten years during which the treaty is operative from the date of ratification. In this connection I would express to Your Excellency that while the denunciation of a portion of the treaty as required by this Act may not according to international practice be made, the President, nevertheless, using the discretion which he deems is granted to him to interpret in the sense contemplated by the Congress, instructs me to propose an arrangement between the two Governments which will effect the purpose of the Act by the abrogation or mere omission of the Articles referred to. Further, in this connection, I have been instructed to propose, as the time when such abrogation shall take place, July 1, 1916,—a period of twelve months notice—so as to render the Act effective in the case of Sweden simultaneously with other Governments concerned, the original terms of whose treaties have expired and which are in all cases subject to termination upon not more than twelve month's notice. It is believed that the general observations made in the accompanying instruction from my Government will convince the Government of Sweden of the wise and humane purposes towards which the legislation is directed.

The President, although deeply anxious that an agreement be reached with foreign Governments upon this subject, is not concerned as to the particular method by which it may be consummated, whether by signed protocols of conferences, or by mutual exchange

of note[s], as is a common practice in the conduct of many diplomatic affairs of this character. The latter course seems preferable, because more easily effected in view of the constitutional requirement that formal agreements between the United States and other countries must be submitted to the Senate of the United States for its advice and consent. In this connection, therefore, I will point out to Your Excellency that such reference to the Senate in the case of a simple exchange of notes will not be necessary, and that such an exchange of notes will be regular and effective because of the authority already granted to the President by Section 16 of the Act to abrogate the portions of the treaties inconsistent therewith. Hence, it will be perceived that the intent of Congress may be fully realized by informal agreements between the Government of the United States and other powers, and that in this way the various important treaties now subsisting may remain in full force and effect, with the exception of the articles relating to seamen.

In bringing this matter to Your Excellency's attention I have been instructed to convey to Your Excellency the earnest hope of my Government that, in the sympathetic consideration which the Government of Sweden will undoubtedly bestow upon it, means may be found to disturb as little as possible the conventional relations now happily existing between the two countries while effecting the abrogation merely of those clauses of the treaty which are inconsistent with the Act of Congress of March 4, 1915.

I take [etc.]

JEFFERSON CAFFERY

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711.5821/48

*The Secretary of State to the Chargé in Sweden (Wheeler)*

No. 619

WASHINGTON, November 25, 1919.

SIR: The Department acknowledges the receipt of your despatch No. 1824, dated October 21, 1919, with which you enclose a copy of a note from your Legation dated June 21, 1915, addressed to the Foreign Office, and apparently based on the Department's instruction of May 29, 1915. You call attention to the fact that the Legation's note gave notice of this Government's "intention to abrogate Articles 11 and 12 of the Treaty of June 1, 1910, with Sweden," and you state that the records fail to show why reference is made in this note to the above mentioned Articles of the Treaty of 1910, instead of to Articles 13 and 14 of the Treaty of July 4, 1827.

Your attention is invited to the fact that the Department's records indicate that two instructions were sent to the Legation on May 29, 1915, substantially the same except that the first referred to certain Articles of the Treaty of 1910, and the second to certain Articles of the Treaty of 1827.

You are instructed to report whether a note was addressed by the Legation to the Foreign Office in regard to the abrogation of Articles 13 and 14 of the Treaty of 1827, and in accordance with the second mentioned instruction of May 29, 1915.

I am [etc.]

For the Secretary of State:

ALVEY A. ADEE

711.5821/50

*The Minister in Sweden (Morris) to the Secretary of State*

No. 1876

STOCKHOLM, *February 6, 1920.*

[*Received March 10.*]

SIR: I have the honor to acknowledge the receipt of Department instruction, No. 619, of November 25, 1919, in which I am instructed to report whether a note was addressed by the Legation to the Royal Swedish Foreign Office in regard to the abrogation of Articles 13 and 14 of the Treaty of 1827, and in accordance with an instruction from the Department of May 29, 1915.

In reply I have the honor to report that according to the Legation's records no note was addressed to the Foreign Office in regard to the abrogation of Articles 13 and 14 of the Treaty of 1827 until the receipt of the Department's instruction, No. 245, of December 28, 1917,<sup>77</sup> whereupon, on February 4, 1918, the Legation wrote to the Royal Swedish Foreign Office giving it official notification that the operation of the Treaty of July 4, 1827, would terminate on February 4, 1919. A copy of the Legation's note of February 4, 1918, to the Foreign Office, together with a copy of the latter's reply, was sent to the Department with the Legation's despatch, No. 1557, of January 28, 1919.

I have [etc.]

IRA N. MORRIS

#### BOUNDARY DISPUTES

**Colombia and Panama: Withdrawal of President Porras from the Controversy**

719.2115/7

*The Acting President of Panama (Porras) to the Assistant Secretary of State (Phillips)*

PANAMA, *July 23, 1919.*

[*Received August 11.*]

MY DEAR MR. PHILLIPS: As the Colombian Treaty seems to have been definitely drafted and is now before the Senate waiting for its ratification, the Government and people of Panamá are concerned

<sup>77</sup> See footnote 74, p. 68.



about the provisions of that document, specially as in all probability mention will be made in it of the boundary line between Panamá and Colombia.

Owing to that circumstance I feel it my duty to inform the Government of the United States through you, that Panamá is in a position to prove her rights to a boundary line that will follow the Atrato river from its mouth in the Atlantic ocean to a point in the hinterland in a straight line with Cape Corrientes in the Pacific ocean. That line will comprise within the borders of Panamá a region pointed out as a possible competitor of the Canal Zone, as it affords a suitable route for another interoceanic canal.

BELISARIO PORRAS

719.2115/7

*The Secretary of State to the Minister in Panama (Price)*

No. 692

WASHINGTON, November 13, 1919.

SIR: On July 23 President Porras wrote to the Assistant Secretary of State in regard to the boundary line between Colombia and Panama stating that the Panaman Government was in a position to prove its rights to the Atrato River and Cape Corrientes boundary with Colombia. A copy of this letter<sup>78</sup> and the replies thereto,<sup>79</sup> Mr. Lansing's being dated August 23rd, and Mr. Phillips' dated September 13th, are enclosed herewith.

This boundary, as you are aware, was defined by Article 4 of the Treaty between the United States and Colombia, signed on April 6, 1914, at Bogota by Messrs. Thomson and Urrutia.<sup>80</sup> This Treaty as modified in February, 1919, is now before the Senate. Article 3 of the modified Treaty is the same as Article 4 of the original draft and reads as follows:

“ARTICLE 3. The Republic of Colombia recognizes Panama as an independent nation and taking as a basis the Colombian Law of June 9, 1855, agrees that the boundary shall be the following: From Cape Tiburon to the head waters of the Rio de la Miel and following the mountain chain by the ridge of Gandi to the Sierra de Chugargun and that of the Mali going down by the ridge of Nigue to the heights of Aspave and from thence to a point on the Pacific half way between Cocalito and La Ardita.”

Approval by this Government of the New Granada Law of June 9, 1855, as the basis of a boundary, dates back to 1907, when the matter of Panama's eastern boundary was discussed at Washington,

<sup>78</sup> See *supra*.

<sup>79</sup> Not printed.

<sup>80</sup> *Foreign Relations*, 1914, p. 163.

in the hope that a settlement of the divergencies between the Republics of Colombia and Panama might be reached. Secretary Root's letter of August 26, 1907, to Mr. Cortes, the Colombian Minister, and that of May 14, 1908, to Mr. Arosemena, the Panaman Minister [*Chargé*], copies of both of which are enclosed herewith, indicate clearly that the decision to base the boundary on the New Granada Law of June 9, 1855, was reached after mature consideration of the circumstances and rights involved.

It will be observed from his letter of August 26, 1907, to Mr. Cortes, the Colombian Minister, that Mr. Root stated the definite position of this Government when he wrote:

“Your account of what occurred at the interview agrees entirely with my recollection and I now confirm what I then said to you orally that the view of the United States is that the boundary between Colombia and Panama is that described in the above mentioned Law of New Granada of June 9, 1855. This is the view originally reached by Mr. Buchanan and concurred in by me and a careful examination of the various papers which have been adduced during the recent negotiations has not seemed to me to furnish any just ground for a change of this view, which you may regard as the matured and definite position of the Government of the United States.”

Later when the original Thomson-Urrutia Treaty was being negotiated, Secretary Bryan instructed Minister Thomson in a cablegram dated October 15, 1913,<sup>81</sup> to consider the same New Granada Law of June 9, 1855 as the basis of boundary. Doctor Porras himself, in an interview on March 11, 1918, with Mr. Stabler, Chief of the Latin American Division, appears to have been satisfied with the boundary defined in the original Thomson-Urrutia Treaty.

In view of the position which the Government of the United States has definitively taken with respect to this matter of a boundary between Colombia and Panama, and of the fact that nothing has transpired to induce this Government to modify its views with respect thereto, you are instructed to interview the President of Panama, Dr. Belisario Porras, in order to communicate orally the purport of this instruction and to suggest that, as his letter of July 23, 1919, puts forward the only dissenting suggestion of which I am now aware, it is hoped that he will withdraw the same and that he will send a personal note to this effect to Mr. Phillips.

It is assumed that Dr. Porras, when writing his personal letter of July 23rd to Mr. Phillips, did not have in mind the discussions of 1906 and 1907, as a result of which discussions the letters of Secretary Root, referred to herein, were sent to the diplomatic representatives of Panama and Colombia.

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<sup>81</sup> Not printed.

This Government, ever mindful of the welfare of Panama, is of the belief that the best interests of all concerned will be served by disposing, now and for all time, of the boundary question between Colombia and Panama by describing it as in the treaty which our Government negotiated with Colombia in 1914, the precise text thereof being quoted in the early part of this instruction.

Boundary disputes are often the foundation of strained international relations, which all too frequently hinder progress and contribute to the unrest of the nations involved. To avert such a condition for his country and to promote its peace and prosperity should be the aspiration of responsible statesmen. It is hoped, therefore, that Dr. Porras will co-operate with the United States Government, as has been suggested.

Confidential:—The Department feels very strongly the advisability of having Panama committed to an acceptance of the boundary between Panama and Colombia as defined in Article III of the modified treaty of 1914, the pertinent portion of which is quoted herein. It is hoped therefore that you may now accomplish this end.

The experiences of the American Commission to Negotiate Peace, and the history of boundary disputes throughout the world, proves the advisability of settling all such controversies as expeditiously as possible. The Department confidently believes that it is to the national interest of Panama to give up forever all question of its right to Jurado, the agitation of which might prove to be a bone of contention for years between Colombia and Panama, and that over a section of little or no intrinsic value. Jurado would appear, from some of the maps available, if the line were drawn according to the law of June 9, 1855, to fall on the Colombian side.

It is manifestly apparent therefore that it would be preferable to have this claim to Jurado, on the part of Panama, dropped entirely. The Department has in mind, however, the negotiations between Colombia and Panama which resulted in the conclusion of a treaty in 1909,<sup>82</sup> which, although it was not ratified, referred to a possible arbitration of the right to Jurado.

Should the treaty of 1914, as that between Colombia and the United States is frequently called, be ratified by our Senate, and subsequent events make it advisable to have an arbitration of the single question of the right to Juradó, the United States would be disposed, if properly approached, to exercise its good office[s] to the end that Colombia agree to the arbitration of that question.

I am [etc.]

ROBERT LANSING

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<sup>82</sup> *Foreign Relations*, 1909, pp. 229-233; see especially art. 9.

[Enclosure 1]

*The Secretary of State (Root) to the Colombian Minister (Cortes)*

WHITE PLAINS, N. Y., August 26, 1907.

MY DEAR MR. CORTES: I have the honor to acknowledge the receipt of your letter of August 18th, 1907, in which you state the substance of an interview between us at the Hotel Gotham, in New York on the 16th inst.; "The description of the boundary line of Panama, as described in the Law of New Granada of June 9th, 1855" and request a statement of the views of the United States regarding the boundary between Colombia and Panama in accordance with the oral statement made by me at our interview.

Your account of what occurred at the interview agrees entirely with my recollection and I now confirm what I then said to you orally that the view of the United States is that the boundary between Colombia and Panama is that described in the above mentioned Law of New Granada of June 9th, 1855. This is the view originally reached by Mr. Buchanan and concurred in by me and a careful examination of the various papers which have been adduced during the recent negotiations has not seemed to me to furnish any just ground for a change of this view, which you may regard as the matured and definite position of the Government of the United States.

I am [etc.]

ELIHU ROOT

[Enclosure 2]

*The Secretary of State (Root) to the Panaman Chargé (Arosemena)*

WASHINGTON, May 14, 1908.

SIR: This Government has given the most attentive and careful consideration to Mr. Arango's<sup>88</sup> note of April 3 last, in which he stated that he had received instructions from his Government by cable to announce to this Government that Colombia had carried out her threat by occupying Jurado with her forces and that consequently the case had arisen for asking that the Government of the United States should put into effect the guarantee set forth in Article One of the Treaty between the United States and Panama, of November 18, 1903; and also to Mr. Arango's note of April 13 last, in which he stated that he was authorized by his Government to express its willingness to refer all the boundary questions between Panama and Colombia to the Justices of the Supreme Court

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<sup>88</sup> Panaman Minister.

of the United States, convened in their individual capacity as members of a tribunal of arbitration voluntarily established by the interested Governments.

The Government of the United States does not consider that the circumstances as exhibited in these notes or any information which the Government of the United States has been able to obtain create the situation in which the Government of the United States is called upon to act under the guarantee of the Independence of Panama, contained in the Treaty concluded on the 18th of November, 1903. The provision of that Treaty is, "The United States guarantees and will maintain the independence of the Republic of Panama."

This cannot be deemed to impose upon the United States the obligation to maintain the view taken by the Government of Panama in all controversies whatsoever she may have with other nations, regardless of the opinion of the United States as to the right or wrong of such controversies, and without having any control over the action which would be suitable or desirable for the purpose of effecting a diplomatic adjustment and settlement of such questions. It is possible that many untoward and injurious consequences may result from the course taken by Panama in her international affairs, but so long as those consequences do not threaten the subjection to another Power and therefore threaten her independence, the obligation of the United States, under the guarantee, would not seem to call for action.

Even without being constrained by the obligation of that guarantee, however, it is the strong desire of the Government of the United States to promote by its influence and its action in every way possible the prosperity and the growth of the Republic of Panama; and, while the boundary disputes which exist in relation to the boundaries between Panama and Colombia on the one hand, and between Panama and Costa Rica on the other, plainly do not rise to the point of involving any danger to the independence of Panama, the Government of the United States will be glad to use its good offices, wherever they may be available, towards the settlement of those controversies.

With special regard to the small tract included within the denomination Jurado, this Government has been disposed to the view that the true boundary between Panama and Colombia is that which is described in the law of New Granada of June 9, 1855. In a note to Mr. Cortes, written by me, on August 26 last, (a copy of which was communicated to your Legation in my personal note of February 17 last), I stated that this was the view originally reached by Mr. Buchanan and concurred in by myself, and that a careful

examination of the various papers which had been adduced during the recent negotiations had not seemed to furnish any just ground for a change of that view, which he (Mr. Cortes) might regard as the matured and definite position of the Government of the United States.

In that view, the right to Jurado would appear to depend upon the position of the village and township with reference to the line of 1855.

In view of the letter of Mr. Arango of April 13, 1908, that "The rights of Panama to the village and township of Jurado rest on special facts and considerations that are not comprised in the dispute between Colombia and Panama over the boundary line in general", the Government of the United States has felt warranted in already using its good offices with the Government of Colombia in the way of a suggestion of arbitration. While the United States had no authority to commit Panama upon the question, and naturally neither obtained nor was entitled to receive any authoritative and binding reply from the Government of Colombia, nevertheless, this Government is satisfied from the oral communications which have passed upon the subject that the Government of Colombia would be willing to enter into an arbitration regarding the title to Jurado, providing the general line between the two countries, except as it relates to Jurado, be accepted as laid down in the Act of 1855. If the Government of Panama desires that the Government of the United States shall proceed to the further exercise of its good offices upon such lines as this, the Government of the United States will be happy to do so.

Accept [etc.]

ELIHU ROOT

719.2115/11

*The Acting President of Panama (Porras) to the Assistant Secretary of State (Phillips)*

PANAMA, January 10, 1920.

[Received January 30.]

MY DEAR MR. PHILLIPS: Minister Price, in a conversation with me, has called my attention to the fact that the United States in its negotiations with Colombia, has already reached an agreement as to the boundary line between the latter and Panamá. Minister Price has furthermore presented to me several documents of which I was ignorant, and it all has made me comprehend the inadvisability of insisting in my views on the subject, as it is not my intention to hamper the United States negotiations with Colombia, but rather to secure for it such advantages as to place under the provisions of the

Panamá Canal Treaty the Atrato river basin, which is the only competitor left to the Panamá Canal, and which historically forms part of the panamanian territory that voluntarily joined Colombia at the time of its independence from Spain.

I hope that this withdrawal on my part from any controversy will be pleasing to you, and, with kindest regards, I am

Sincerely yours,

BELISARIO PORRAS

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Colombia and Peru: Good Offices of the United States for the Continuance of Negotiations—Colombia and Venezuela: Good Offices of the United States in Negotiations

721.2315/78 : Telegram

*The Acting Secretary of State to the Minister in Peru (McMillin)*

WASHINGTON, June 18, 1919, 5 p.m.

Confidential. Minister Philip<sup>84</sup> has informed Department that he has been told by Peruvian Minister that Peruvian Government is dissatisfied with attitude of Colombia regarding frontier controversy. Philip advised Peruvian Minister that in his opinion it would be well for Peru to adopt a tolerant and noble role in frontier dispute especially in view of fact that President Suarez is perhaps the one Colombian whose highest ambition it is to establish frontier of his country on just and lasting bases.

Do not refer to above conversation but at a favorable opportunity orally and informally intimate to Minister for Foreign Affairs that in your opinion the present is a good time to carry on negotiations with Colombia looking towards a lasting settlement of the frontier question.

POLK

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721.2315/79 : Telegram

*The Minister in Peru (McMillin) to the Acting Secretary of State*

LIMA, June 25, 1919, noon.

[Received 10.58 p.m.]

Confidential. Department's June 18th, 5 p.m. Yesterday, orally, informally, I intimated to the Minister for Foreign Affairs the course I thought best for Peru in Colombian frontier dispute. The Minister for Foreign Affairs seemed entirely reasonable saying that Peru and Colombia are in substantial accord on arbitration and tribunal, differing as to the extent of territory submitted. He said that Peru is ready to submit all their controversies to the League of Nations.

McMILLIN

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<sup>84</sup>In Colombia.

721.2315/82

*The Minister in Colombia (Philip) to the Secretary of State*

No. 113

BOGOTÁ, August 8, 1919.

[Received September 4.]

SIR:

An official banquet was given by Doctor Suarez at the Presidential Palace to the diplomatic corps, Ministers of the Government and prominent Colombians, on the evening of the 4th instant, to celebrate the centennial of the battle of Boyaca by which the independence of New Granada from Spain was achieved.

As I was leaving, the President detained me saying that he had a favor to ask—in fact, two favors. He then mentioned the unsatisfactory situation existing with Peru in regard to the question of a frontier settlement. He said that the negotiations carried on with the Peruvian Minister to Colombia, which had not been very satisfactory, had been terminated by the *coup d'état* at Lima.

Moreover the Peruvian representative had within the past few days left Bogota for Peru, and it was understood that he would not return. Doctor Suarez intimated that he would be exceedingly grateful if the Government of the United States would use its good offices with the Government of Peru to the end that it would continue the frontier negotiations with Colombia so that a satisfactory agreement may be reached.

I have the honor to refer to my cable message No. 83 of June 9: 9 a.m.<sup>85</sup> in which I reported a conversation with the Peruvian Minister at Bogota concerning this question. I do not understand that the departure of the Peruvian representative implies in itself a serious misunderstanding between the two Governments. Senor F. Elguera, which is the Minister's name, had been here for some time and struck me as being physically run down by the climate and personally disappointed with the result of his mission. He had applied for a change of post some time before the late political events took place in Peru and I judge that both he and his family had been desirous of a change of residence for personal reasons.

The second matter referred to by Doctor Suarez was a similar wish on his part for the good offices of the President of the United States in the matter of the pending questions of frontier and commerce with Venezuela.

In accordance with the Convention of November 3, 1916, between Colombia and Peru [*Venezuela*], the Government of Switzerland is now engaged upon the arbitration of certain disagreements which

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<sup>85</sup> Not printed; see telegram to the Minister in Peru, June 18, p. 80.



exist as to the mutual frontier as decided by the Spanish arbitration of 1891. I understand that Article VI of the above Convention provides that the two Governments concerned shall arrange for a treaty of navigation and of frontier commerce and transportation, which might involve further alterations of the frontier. It appears that what the President of Colombia requests is that the United States use its good offices with Venezuela for the purpose of impressing upon that Government the advisability of continuing the negotiations for the settlement of all questions covered by the Convention of 1916, in addition to those which will be decided by the Swiss arbitration now pending.

I have [etc.]

HOFFMAN PHILIP

721.2315/82

*The Acting Secretary of State to the Chargé in Peru (Smith)*

No. 193

WASHINGTON, September 17, 1919.

SIR: I enclose for your confidential information an extract from a despatch from the American Minister at Bogotá,<sup>86</sup> reporting a recent conversation with the President of Colombia, in which he requested that this Government would use its good offices with the Government of Peru to induce it to continue the negotiations with Colombia so that a satisfactory agreement might be reached regarding the disputed boundary between the two countries.

You may use your good offices with this end in view, orally and informally discussing the matter with the Peruvian Minister of Foreign Relations.

I am [etc.]

WILLIAM PHILLIPS

721.2315/82

*The Acting Secretary of State to the Minister in Venezuela (McGoodwin)*

No. 490

WASHINGTON, September 17, 1919.

SIR: I enclose for your confidential information an extract from a despatch from the American Minister at Bogotá,<sup>86</sup> reporting a recent conversation with the President of Colombia, in which he requested that this Government would use its good offices with the Government of Venezuela to induce it to continue the negotiations for the settlement of all questions covered by the Convention between the two Governments of November 3, 1916, in addition to those which will be decided by the arbitration of the Government of Switzerland now pending in virtue of the provisions of that Treaty.

<sup>86</sup> See despatch No. 113, p. 81.

You may use your good offices with this end in view, orally and informally discussing the matter with the Venezuelan Minister of Foreign Relations.

I am [etc.]

WILLIAM PHILLIPS

721.2315/83

*The Chargé in Peru (Smith) to the Secretary of State*

No. 413

LIMA, October 28, 1919.

[Received November 19.]

SIR: Referring to your despatch No. 193, of September 17, 1919, enclosing extract of despatch from the American Minister at Bogotá, concerning boundary question between Peru and Colombia, I have the honor to report as follows:

In conversation with the Minister for Foreign Affairs yesterday, I inquired as to the progress being made in the settlement of the boundary dispute between Colombia and Peru. He informed me that, in view of the fact that Colombia had made a suggestion that the district in dispute should be made a neutral zone, the question was in abeyance, as the Peruvian Government could not accede to this arrangement. He said that the Peruvian Government was anxious and willing to arbitrate the boundary question along definite lines, but that it was not willing to agree that Colombia should designate certain lines and Peru certain lines, and arbitrate only the disputed zone. This, as he pointed out, would be a too indefinite arrangement and would lead to further trouble.

The Peruvian Minister at Bogotá, Señor Elguera, was obliged to leave Colombia on account of ill health, and will be replaced by a newly appointed Minister within the coming month.

The Minister for Foreign Affairs hopes that with the appointment of a new Peruvian Minister the question of the boundary settlement will progress rapidly.

I am [etc.]

WM. WALKER SMITH

721.2315/85

*The Minister in Venezuela (McGoodwin) to the Secretary of State*

[Extract]

No. 1,839

CARACAS, December 6, 1919.

[Received December 27?]

SIR: Referring to the Department's No. 490 of September 17, (file No. 721.2315/82), enclosing for my confidential information an extract from a despatch, No. 113 of August 8, 1919, from the American Minister at Bogotá and instructing me to use my good offices, orally and informally, with the Minister for Foreign Affairs with a view to securing a continuance of the negotiations for the settle-

ment of all questions covered by the Convention of November 3, 1916 between the Governments of Venezuela and Colombia, in addition to those to be decided by the arbitration of the Government of Switzerland now pending in virtue of the provisions of that Treaty, I have the honor to report that Doctor Gil Borges, Minister for Foreign Affairs, several times has broached the subject of relations between Venezuela and Colombia and on all such occasions he has attempted to impress upon me that he is disposed, very earnestly, "to respond to the desire of General Gomez<sup>88</sup> for a settlement of all matters mentioned in the Convention of November 3, 1915 [1916]." . . .

As to the proposed treaty of navigation and commerce, the Minister said that . . . Venezuela could not be expected to take up this subject until the boundaries of the two countries have been determined.

I have [etc.]

PRESTON McGOODWIN

721.2315/84

*The Secretary of State to the Chargé in Peru (Smith)*

No. 200

WASHINGTON, December 15, 1919.

SIR: The Department acknowledges the receipt of your despatch No. 416, dated November 4,<sup>89</sup> enclosing a map on which the boundaries in dispute with Colombia were outlined, and desires to refer to its despatch No. 193 of September 17, in which you are authorized to use your good offices with the Government of Peru to induce it to continue negotiations with Colombia so that a satisfactory agreement might be reached regarding the disputed boundary between the two countries.

In view of your statement that the boundary question would be re-opened as soon as a new Peruvian Minister was appointed to Bogotá, the Department desires to express its earnest hope that the endeavor will be made to settle the boundary question directly with Colombia.

You may use your good offices with this end in view, in discussing the matter orally and informally with the Peruvian Minister of Foreign Affairs.

I am [etc.]

For the Secretary of State:

ALVEY A. ADEE

<sup>88</sup> Juan Vicente Gomez, President of Venezuela.

<sup>89</sup> Not printed.

Guatemala and Honduras:<sup>90</sup> Good Offices of the United States in Averting Conflicts and Furthering Negotiations; Conference between Special Missions at Washington, Opened May 20, 1918; Request of the Special Missions that the Secretary of State Suggest a Basis of Settlement; Economic Survey of the Disputed Area and Report, October 16, 1919

714.1515/55 : Telegram

*The Chargé in Guatemala (Thurston) to the Secretary of State*

GUATEMALA, January 6, 1918, 4 p.m.

[Received January 7, 12 a.m.]

Your December 28, 12 noon [10 a.m.]<sup>91</sup> Yesterday afternoon presented to President Cabrera the information that Honduran Government had accepted neutral zone and that Honduran troops would be withdrawn therefrom upon Guatemala withdrawing hers, and outlined to him the extent of the mutual withdrawal. President accepted immediately. He informs me his withdrawal can be accomplished by January 6, but I do not believe the present conditions will permit such a movement. Will keep Department informed.

THURSTON

714.1515/56 : Telegram

*The Chargé in Guatemala (Thurston) to the Secretary of State*

GUATEMALA, January 7, 1918, 10 a.m.

[Received January 8, 2.46 a.m.]

My telegram of January 6, 4 p.m. Last night in an interview with President Cabrera I requested information about boundary dispute. The President states that he will send telegraphic instructions to-day for the withdrawal from neutral zone. He added that he trusted that the Cuyamel Company would be constrained from its "aggressions."

The special mission to Honduras will return at once. Does Department desire me to renew representations for the execution of the boundary arbitration treaty?

THURSTON

714.1515/57 : Telegram

*The Minister in Honduras (Ewing) to the Secretary of State*

TEGUCIGALPA, January 8, 1918, 4 p. m.

[Received 11.11 p.m.]

Foreign Minister yesterday transmitted to Legation telegrams to President, to the effect that Guatemalans have penetrated further into Honduras; increasing forces to 400; interfering with construc-

<sup>90</sup> Continued from *Foreign Relations*, 1917, pp. 760-801.

<sup>91</sup> *Ibid.*, p. 794.

tion work Cuyamel Railroad. Company's concession dates from 1902, with no Guatemalan interference until now. Honduras requests good offices United States to secure withdrawal of Guatemalan forces to left margin Motagua River; otherwise, Honduras will not discuss any treaty with Guatemala.

Manager, Cuyamel, today telegraphs Guatemalans encamped thousand feet south of Rio Nuevo Bridge, stating their presence purpose preventing further construction. Railroad company undertaking extensive development bananas, food product essential United States. Guatemala will undoubtedly oppose further construction railroad unless United States intercedes.

EWING

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714.1515/57 : Telegram

*The Secretary of State to the Chargé in Guatemala (Thurston)*

WASHINGTON, January 9, 1918, 7 p.m.

Department advised Guatemalan forces have penetrated further into Honduras interfering with construction of Cuyamel Railway.

Inform Minister for Foreign Affairs that Department assumes that it would be safer to retire rather than advance troops so that an amicable arrangement may soon be reached. You may add that a United States warship has been sent to the north coast of Honduras to report upon conditions.

LANSING

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714.1515/56 : Telegram

*The Secretary of State to the Chargé in Guatemala (Thurston)*

WASHINGTON, January 9, 1918, 7 p.m.

Your January 7, 10 a.m.

Department is desirous of having both Governments conclude a boundary treaty. Continue to urge desirability of this step upon Guatemalan Government.

LANSING

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714.1515/55 : Telegram

*The Secretary of State to the Minister in Honduras (Ewing)*

WASHINGTON, January 9, 1918, 8 p.m.

Your December 24, 3 p.m.<sup>96</sup>

Statement made by Honduran Foreign Minister acting in his official capacity, that the Honduran Government would withdraw south and East of the Merendon Mountains all her troops upon the under-

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<sup>96</sup> *Foreign Relations*, 1917, p. 792.

standing that the Government of Guatemala would withdraw north and west of the Motagua River all her troops in the disputed territory, was duly conveyed by the Government of the United States to the Government of Guatemala.

The Guatemalan Government at once accepted this arrangement and informed the United States Government that the necessary instructions would be issued and that it was hoped that the withdrawal would be entirely accomplished by January 15th.

The Government of the United States is requesting the Government of Honduras to issue exequatur to a United States consular agent located at Sinchado.

Discreetly inform Minister for Foreign Affairs that Department is seriously disturbed at Honduras' attitude as described in your December 27, 2 p.m.<sup>97</sup> and explain that as action was promptly taken on assurances contained in your December 24, 3 p.m. it feels confident Honduras will avoid possible charge of bad faith by complying with her acceptance of proposition to withdraw all troops to South and East of Merendon Mountains.

Report by cable date upon which this Government can inform Government of Guatemala that no more Honduran armed forces remain in disputed zone.

LANSING

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714.1515/57: Telegram

*The Secretary of State to the Minister in Honduras (Ewing)*

WASHINGTON, January 9, 1918, 9 p.m.

Your January 8, 4 p.m. Department's January 9, 8 p.m. You will inform the President of Honduras that the Government of the United States will gladly exercise good offices as requested to secure withdrawal of forces by Government of Guatemala on receipt of advices that the Government of Honduras proposes to respect its undertaking transmitted to Department in your December 24, 3 p.m. by carrying out its part of agreement.

LANSING

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714.1515/63: Telegram

*The Chargé in Guatemala (Thurston) to the Secretary of State*

GUATEMALA, January 10, 1918, 11 p.m.

[Received January 12, 8.55 p.m.]

My telegram of January 7, 10 a.m. On 7th instant the Minister for Foreign Affairs was sent to inform me the Guatemalan Govern-

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<sup>97</sup> *Ibid.*, p. 794.

ment had that day issued an order for the withdrawal of troops and that only a small garrison would be kept in Sinchado and in Los Amates and (?) to maintain order. This intelligence was repeated in writing.

Today Minister for Foreign Affairs was sent to me by the President to inform me of the following state of affairs: First, that there is a force of 300 Honduraneans at Chachagualito [*Chachahualilla*] (near Tenedores); second, that 300 revolutionists, among whom were certain Guatemalan exiles, had landed on Honduran coast and that their movements might be considered inimical to Guatemala and Honduras; third, that the special mission to Honduras had quoted from a note dated December 28, from Minister for Foreign Affairs of Honduras to the American Government [*Minister*] in Honduras stating that in view of the note received from American Government embodying instructions dated December 22, Honduran Government would not sign any boundary treaty with the Guatemalan Government special mission at present in Honduras, but would accept the arbitration of United States so kindly offered, as stipulated in fifth article of the protocol.<sup>96</sup>

Minister of Foreign Affairs and President Cabrera . . . have instructed special mission to demand categorical answer from Honduras whether or not negotiations are to be continued. The Minister for Foreign Affairs reiterated contents of third paragraph of my December 24, 11 p.m.<sup>97</sup>

It is evident that Guatemala does not wish to submit matter for arbitration until it has been found that the respective Governments cannot arrange the difficulty between themselves. Guatemala states that it has proved its good faith by strictly complying with terms of protocol signed in September.

Without assuming to pass judgment as to which Government may be at fault either in the boundary dispute or the present disagreement over the signing of a boundary treaty, it is now my belief that the dispute must be eventually arbitrated by the United States and if a deadlock has now been reached, the time is opportune for us to point out to both Governments their apparent inability to settle their difficulties and definitely urge acceptance arbitration.

THURSTON

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<sup>96</sup> See *Foreign Relations*, 1917, p. 797.

<sup>97</sup> *Ibid.*, p. 792.

714.1515/59 : Telegram

*The Acting Secretary of State to the Chargé in Guatemala (Thurston)*

WASHINGTON, January 11, 1918, 6 p.m.

Your December 24, 11 p.m.<sup>98</sup>

Foreign Office agrees that questions of concessionary rights in disputed territory shall not be injected into a boundary dispute. Department informed that Guatemalan troops have forcibly stopped the Cuyamel Fruit Company concession in its developments at Rio Nuevo.

In view of the declaration of the Guatemalan Foreign Office above referred to, the United States Government feels confident that this action on the part of Guatemalan forces was undertaken by the Military Commander without the knowledge of the Government of Guatemala. Request that appropriate instructions be at once issued to the end that these concessionary rights in the disputed zone be not interfered with.

POLK

714.1515/68

*The Chargé in Guatemala (Thurston) to the Secretary of State*

GUATEMALA, January 14, 1918.

[Received January 24.]

SIR: I have the honor to refer the Department to recent cablegrammic correspondence exchanged between us relating to the Guatemalan-Honduran boundary dispute, and to make the following observations:

Guatemala claims to have fulfilled absolutely its obligations under the terms of the protocol signed by the representatives of Guatemala and Honduras in Tegucigalpa on September 20th, 1917.<sup>99</sup>

Substantiating this claim, the Minister for Foreign Affairs has pointed out to me that, according to the provisions of Article One, a Special Mission was named; as established in Articles Two and Three the Mission contained the proper elements, and was present in Tegucigalpa before the last day of December, 1917; complying with Article Four every effort is claimed to have been made to prevent any possible cause for disagreement.

He then stated that the Minister for Foreign Affairs of Honduras had notified the American Legation in Tegucigalpa that the Government of Honduras would conclude no boundary treaty with this Special Mission, but would proceed to lay the dispute before an arbiter—the arbiter to be the Government of the United States.

<sup>98</sup> *Ibid.*, p. 792.

<sup>99</sup> *Ibid.*, p. 784.



In view of the fact that Article Five of the protocol quite clearly points out the procedure to be followed in the event that the two Governments fail to effect a Boundary Treaty, or, having effected it, fail to secure its ratification by their respective Legislatures, i. e., [that] the Boundary Treaty of August 1st, 1914,<sup>1</sup> will be revived, the Minister for Foreign Affairs of Guatemala feels that the arbitration of the question by the United States is not yet in order. It is my impression, however, that the Treaty of 1914, does provide for arbitration.

Feeling that the dispute should be settled amicably between the two Governments, without the active intercession of a third party, the Minister for Foreign Affairs of Guatemala requested me to present the foregoing to the Department of State, with the request that pressure be brought to bear upon the Government of Honduras to the end that it live up to the terms of the protocol and conclude a Boundary Treaty with the Special Mission from Guatemala which is at present in Tegucigalpa.

While I do not doubt that it is desired that the matter of this disputed boundary should be settled between the two Governments, I fear that the elaborate claims of each, especially with reference to developed territory, will make this achievement problematical. In this connection I wish to respectfully suggest that, if the Department should urge upon Honduras the continuance of its negotiations with the Special Mission from Guatemala, it at the same time request the Cuyamel Fruit Company to cease its advance.

The activities of the Cuyamel Railroad seem peculiarly irritating to the Government of Guatemala, and I can foresee no "neutral zone" being established as long as the Cuyamel continues its advance. The President feels that it should await the outcome of the negotiations, notwithstanding the fact that it has been quite clearly pointed out to him that matters of concessionary rights in this disputed territory should not enter into the question. As before reported, it is suggested that the Cuyamel confine its work between its "Colon" farm and Omoa. Colon is quite near Jimerito.

I am pressing for the definite withdrawal of all troops from this territory; the recognition of the idea back of their admission that "questions of concessionary rights in disputed territory shall not be injected into a boundary dispute", which will cover the situation created by the activities of the Cuyamel, and am urging the conclusion of a boundary treaty with Honduras. I will keep the Department fully advised.

I have [etc.]

WALTER C. THURSTON

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<sup>1</sup> *Foreign Relations*, 1917.

714.1515/64 : Telegram

*The Chargé in Guatemala (Thurston) to the Secretary of State*

GUATEMALA, January 16, 1918, 11 p.m.

[Received January 20, 1.35 a.m.]

Boundary dispute. The Minister for Foreign Affairs called yesterday and to-day and stated that Guatemalan forces would be withdrawn from Rio Nuevo. The President instructed the Minister of Foreign Affairs to repeat Guatemalan authorities' willingness to narrow neutral zone to places named in my telegram of January 10, 11 p.m., provided that Honduran forces also withdrew. The Minister of Foreign Affairs suggested that Government of United States name the date for the withdrawal.

With reference to concessionary rights the argument is now presented by the President that in this case the circumstances are unusual since both Governments have given concessions in the disputed territory which fact makes it imperative that the neutral zone shall be respected by all parties concerned. The concrete case of the Cuyamel Railroad is cited for the purpose of showing that its advance in the disputed territory carries it over properties conceded by Guatemala to American and other companies. The request is renewed that the Cuyamel be made to cease its advance pending decision boundary dispute and only work on its holdings between Omoa and Colon farm.

THURSTON

714.1515/55 : Telegram

*The Secretary of State to the Minister in Honduras (Ewing)*

WASHINGTON, January 17, 1918, 5 p.m.

Department's January 9, 8 p.m. unanswered. Report at once whether Honduras intends to abide by her statement in your December 24, 3 p.m.<sup>2</sup> concerning withdrawal of troops.

LANSING

714.1515/67 : Telegram

*The Chargé in Honduras (Belt) to the Secretary of State*

TEGUCIGALPA, January 20, 1918, 11 p.m.

[Received January 21, 10.05 p.m.]

Department's January 9, 8 p.m., January 17, 5 p.m. Addressed separate notes Foreign Office as to whether or not Honduras intended to abide by her statement as reported in Legation's December 24, 3 p.m.

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<sup>2</sup> *Ibid.*, p. 792.

This afternoon sent for by Foreign Minister and in company with newly appointed Minister to Washington visited President. Latter brought up question referred to. . . . Foreign Minister without consulting President on December 24th officially bound Honduras to withdraw forces. President, Foreign Minister promise immediate reply but state conditions have materially altered since conference 24th. Further state earnestly desire temporary establishment neutral zone reported in Legation's December 27, 2 p.m.<sup>3</sup> President stated establishment zone as first proposed would be so indefinite and leave open to occupation by Guatemalan forces Department of Copan. Honduras desires to submit entire question United States with President United States as mediator submitting all documentary evidence to the Government of the United States.

President accepted instantly suggestion appointment consular agent Sinchado considering this would be recognition United States Sinchado as within Honduran territory. President desires urge upon [United States] appoint at once.

Government further states Guatemala has not withdrawn forces and it is necessary to maintain forces within already recognized Honduran territory to prevent further encroachment by Guatemala.

President may send Commission to Washington and very desirous Motagua River be agreed upon as temporary neutral zone pending definite settlement.

Promised note tomorrow in answer to Legation's. President[']s creation neutral zone (as suggested?) appears equitable and would create very favorable impression here without injuring rights of either country. This would relieve delicate situation subject to [final settlement] by mediation.

BELT

714.1515/73

*The Chargé in Guatemala (Thurston) to the Secretary of State*

No. 454

GUATEMALA, *January 22, 1918.*

[*Received January 31.*]

SIR: I have the honor to refer the Department to my unnumbered despatch dated January 14th, relating to the Guatemalan-Honduran Boundary Dispute and to state that the situation today is as follows:

The Minister for Foreign Affairs repeats to me his statement that the Honduran forces continue in the disputed zone, and that the Cuyamel Company continues its work of clearing new lands. As stated in my cablegram of January 16th, 11 P.M., the Guatemalan

<sup>3</sup> *Foreign Relations, 1917, p 794.*

Government seems to be willing to withdraw from this zone whenever the Honduraneans do likewise.

The Guatemalan Government, however, insists that it is only right that the Cuyamel Company should cease in its development work and other activities of a pioneer nature, pending the settlement of this matter.

I have not yet been informed as to whether the Honduran Government will continue its negotiations with the Guatemalan Special Mission headed by Victor Sánchez Ocaña, which is at present in Tegucigalpa.

I am endeavoring most earnestly to properly present to the Guatemalan Government the policy of the Department with reference to this dispute and will continue to keep the Department fully advised in the premises both by cable and written despatch.

I have [etc.]

WALTER C. THURSTON

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714.1515/64 : Telegram

*The Acting Secretary of State to the Chargé in Guatemala  
(Thurston)*

WASHINGTON, *January 22, 1918, 7 p.m.*

Your January 16, 11 p.m. and December 24, 11 p.m.

It is clearly understood that concessions, their rights and activities, may not be discussed in connection with the permanent settlement of the Guatemalan-Honduran boundary. The injection of irrelevant material could not fail to cloud the fundamental issue to be decided.

It is impossible to arrive at a decision as to whether trespass on foreign territory might or might not have occurred until the necessary dividing boundary line is clearly and definitively agreed upon, surveyed and staked out.

The United States Government will at once take steps looking to the naming of a definite date upon which all armed forces will be withdrawn from the disputed zone those of Guatemala North and West of Motagua River and those of Honduras South and East of Merendon Mountains.

POLK

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714.1515/71 : Telegram

*The Chargé in Guatemala (Thurston) to the Secretary of State*

GUATEMALA, *January 28, 1918, noon.*

[*Received January 29, 10.50 p.m.*]

Your January 22, 7 p.m. The Minister for Foreign Affairs replied my note and states that Guatemala will be pleased to withdraw to places now proposed whenever definite date is set. He adds that Guatemala does not intend to intrude matters relating to con-

cessions, their rights and activities, into the international boundary treaty, for which reason the Guatemalan Government has not permitted these companies holding concessions from it to engage in actual development work in the disputed territory. He states Honduras should do likewise, especially in the case of the Cuyamel Company. In conclusion he said that any other procedure places Guatemala in such inferior position as to be incompatible with national dignity and with the spirit of justice animating the Department of State.

It is my intention to take up this matter with President Cabrera.

Victor Ocaña has returned from Honduras. Guillermo Campos, the Honduran Minister, and his family and secretary are leaving Guatemala. I have not yet ascertained whether these movements result from boundary dispute or the earthquakes which continue unabated.

THURSTON

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714.1515/70 : Telegram

*The Chargé in Guatemala (Thurston) to the Secretary of State*

GUATEMALA, January 29, 1918, 3 p. m.

[Received 10.28 p.m.]

My telegram of January 28, 12 noon. The Minister for Foreign Affairs called this morning to inform me that the Cuyamel Company's laborers are armed and continue development work.

I have heard that Ocaña left Tegucigalpa because of objectionable treatment and that the departure from here of the Honduran Minister is due to his having been recalled.

THURSTON

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714.1515/63 : Telegram

*The Secretary of State to the Chargé in Guatemala (Thurston)*

WASHINGTON, January 29, 1918, 6 p.m.

Your January 10, 11 p.m.

Vigorously present following to President Cabrera :

The Government of the United States has been informed by one of its officers who has personally visited disputed territory to the effect that Guatemalan troops have blocked Cuyamel Railroad and are holding up the construction work, . . .

The preventing of the production of food products so essential to the winning of the war must not continue. Both the Governments of Guatemala and Honduras are cooperating with United States Government in the winning of the war. The United States Government calls upon the Government of Guatemala to . . . see . . . that the necessary development work be proceeded with unhindered.

LANSING

714.1515/76a : Telegram

*The Secretary of State to the Chargé in Guatemala (Thurston)*<sup>4</sup>

WASHINGTON, *January 29, 1918, 8 p.m.*

The United States Government, in the exercise of its accepted good offices as mediator in the boundary dispute at present existing between the Governments of Guatemala and Honduras, now hereby formally invites the Governments of Guatemala and Honduras respectively to immediately send to Washington a special plenipotentiary to meet each other in formal conference in the city of Washington at the earliest possible date duly empowered to discuss fully and authoritatively the entire boundary dispute question and to consummate the necessary treaty.

The United States Government will be happy to facilitate these direct negotiations and will see that a suitable meeting place is provided in which to conduct the deliberations.

Report by cable name and rank of plenipotentiary also date of arrival in United States.

LANSING

714.1515/75 : Telegram

*The Chargé in Guatemala (Thurston) to the Secretary of State*

GUATEMALA, *February 2, 1918, 9 a.m.*

[*Received February 3, 7.25 p.m.*]

My February 1, 3 p.m.<sup>5</sup> The instructions contained in the Department's cablegram January 29, 6 p.m. were thoroughly complied with by me yesterday morning in an interview with President Cabrera. An interview with the Minister for Foreign Affairs followed immediately afterwards to whom energetically presented the context of the Department's instructions. Very definite notes also sent to the President and the Minister for Foreign Affairs.

I regret to report that President Cabrera utterly failed to respond to the situation. His mind seems to be positively fixed on the purpose of stopping the Cuyamel advance, and he made the astounding remark that "The Cuyamel is not working in disputed territory but in Guatemalan territory," in reply to which I informed him the Government of the United States maintained that it could not be determined where trespass on foreign territory had taken place until the boundary line had been definitely determined upon.

The Minister for Foreign Affairs has just called to inform me that the President, upon the receipt of my note, reconsidered his views and now states that in view of the fact that the Government of the

<sup>4</sup>The same, *mutatis mutandis*, Jan. 29, to the Minister in Honduras.

<sup>5</sup>Not printed.

United States couples the work of the Cuyamel Company with the winning of the war, Guatemala as a true Ally responds to the call upon it and will be glad to consider the question of allowing this company to operate. To this end the Guatemalan Government desires to be informed of the exact scope of the work to be done by the Cuyamel. I now believe that can handle situation and will request the Department furnish me as soon as possible the information about scope of activities Cuyamel, immediately upon receipt of which I feel certain Guatemalan forces will be withdrawn from Cuyamel line and its work gone forward with.

THURSTON

714.1515/78 : Telegram

*The Minister in Guatemala (Leavell) to the Secretary of State*

GUATEMALA, February 8, 1918, 5 p.m.

[Received February 9, 11 a.m.]

Your January 29, 8 p.m. Foreign Office today announces that Guatemala accepts with pleasure the invitation to send this special plenipotentiary to [Washington]. His name and date of departure will be announced shortly.

LEAVELL

701.1511/68 : Telegram

*The Chargé in Honduras (Belt) to the Secretary of State*

TEGUCIGALPA, February 9, 1918, noon.

[Received 7.40 p.m.]

Department's January 29, 8 p.m. Minister for Foreign Affairs yesterday formally notified Legation appointment of Dr. Policarpo Bonilla, Envoy Extraordinary and Minister Plenipotentiary on Special Mission, United States, leaving Honduras in March. Legation to be informed later date expected departure.

He is considered the most intelligent Honduran here with considerable influence politically. He was formerly President and has visited Washington before on special mission.

BELT

714.1515/78 : Telegram

*The Secretary of State to the Minister in Guatemala (Leavell)*

WASHINGTON, February 12, 1918, 4 p.m.

Your February 8, 5 p.m.

Inform Government Guatemala that this Government will be pleased to receive Guatemala's representative on special mission and point out expediency of his early departure. Say that Government

of Honduras has officially notified Legation Tegucigalpa that it will send representative to Washington in near future.

Urge upon Government immediate withdrawal troops in order to facilitate negotiations in Washington, adding that Government of Honduras has been approached along these lines.

LANSING

714.1515/104a : Telegram

*The Secretary of State to the Chargé in Honduras (Curtis)*

WASHINGTON, February 12, 1918, 4 p.m.

Your February 9, noon.

Inform Government Honduras this Government will be glad to receive its representative on Special Mission and trusts that his sailing may be expedited. Also state that Department informed by Legation Guatemala that Government Guatemala will send its representative at an early moment.

Urge upon Government necessity of immediate withdrawal troops in order to facilitate negotiations in Washington, adding that Government of Guatemala has been approached along these lines.

LANSING

714.1515/82 : Telegram

*The Chargé in Honduras (Curtis) to the Secretary of State*

TEGUCIGALPA, February 14, 1918, 9 p.m.

[Received February 15, 5.21 p.m.]

Your February 12th, 4 p.m. Minister for Foreign Affairs informs me orally that already Honduran troops have been withdrawn, as promised, only the usual customs guards remaining. Bonilla says that he is studying all day but will leave earlier than first week in March if possible proceeding via Puerto Cortes.

CURTIS

714.1515/88 : Telegram

*The Minister in Guatemala (Leavell) to the Secretary of State*

GUATEMALA, February 20, 1918, noon.

[Received February 21, 9.15 a.m.]

Note from Foreign Office in reply to representations of the Legation under instructions of your February 9, 4 p.m.<sup>o</sup> and your February 12, 4 p.m. received too late to send by this mail, summarizes thus: Guatemalan Government adheres to everything in previous

<sup>o</sup>Not printed.



correspondence concerning desire to settle the boundary dispute amicably, will soon name a special envoy who will leave for Washington at an early date, is desirous of effectively cooperating with the Government of the United States in food to aid in winning the war, and will withdraw troops from zone to be neutralized in accordance with suggestions already presented through the special chargé Thurston (see Thurston's radio-gram February 1, 3 p.m.<sup>o</sup> and his despatch number 457 of February 4, 1918<sup>o</sup>). Guatemalan Government again most respectfully requests information about locality and extent of development in disputed territory proposed by Cuyamel Company as it finds itself unable to consent to an undefined scope of operations, fearing that the constitutional rights and responsibilities of the Government might become involved. Text of note and translation [go forward] by next pouch.

Confidential. It seems to me to be a search for a way out. I am requested [*sic*] find out that it will be accepted, may I offer the guarantee of the United States Government that no *ad interim* development by the Cuyamel Company will be allowed to infringe upon the ultimate rights of the Government of Guatemala as they shall be determined by the final delimitation of its boundary.

LEAVELL

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714.1515/88 : Telegram

*The Secretary of State to the Minister in Guatemala (Leavell)*

WASHINGTON, March 1, 1918, 3 p.m.

Your February 20, 12 noon. Legation Tegucigalpa advises that Foreign Office orally states all Honduran troops in disputed zone other than usual customs guards have been withdrawn. Also that special plenipotentiary hopes to leave 1st of March for Washington.

In conveying this information to Guatemalan Minister for Foreign Affairs urge upon him the desirability of Guatemala at once likewise withdrawing her forces. Also urge that the departure of the Guatemalan plenipotentiary be expedited to the end that negotiations may be undertaken at the earliest moment.

LANSING

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714.1515/110 : Telegram

*The Minister in Guatemala (Leavell) to the Secretary of State*

GUATEMALA, April 24, 1918, noon.

[Received 11.50 p.m.]

Guatemala's special commissioners in the matter of the boundary between Guatemala and Honduras sail for the United States on the steamer *Coppename* tomorrow afternoon and should arrive at New

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<sup>o</sup> Not printed.

Orleans [Monday,] 29th, very early in the morning. Please arrange customs courtesies. Commission is composed of the Minister for Foreign Affairs, Toledo Herrarte, who is taking up his wife and son; the other commissioners are Marcial Prem accompanied by his son, Manuel Echeverria, Claudio Urrutia, General Felipe Pereira accompanied by his son; and Mr. Aguilar goes as secretary to the commission.

LEAVELL

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[For the minutes of the conference opened at Washington, May 20, 1918, and the documents submitted by both Missions between that date and January 28, 1920, see *Mediation of the Honduran-Guatemalan Boundary Question Held under the Good Offices of the Department of State, 1918-1919*, 2 vols., Washington, Government Printing Office, 1919-1920.]

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714.1515/157a,b

*The Secretary of State to the Chiefs of the Guatemalan and Honduran Special Missions (Toledo Herrarte, Bonilla)*

WASHINGTON, December 3, 1918.

SIR: I regret to say that owing to the very brief period between the submission of the final documents in the Honduran-Guatemalan Boundary negotiations and the date of my departure for Europe it will be impossible for me, before returning, to give this case the attention necessary to justify me in suggesting, pursuant to your request,<sup>7</sup> a basis of agreement for the settlement of this controversy. I have, however, examined the case sufficiently to foresee that before reaching a decision further information will be required, in addition to that already submitted, showing more particularly the topographical conditions along the frontier, and also the extent and character of the interests of the respective countries which are likely to be affected by the settlement of this boundary.

In order that no time may be lost, during my absence, and accepting the suggestion made by the representatives of both Governments offering to furnish the mediator with any additional information which he might desire, I venture to propose that the two Governments jointly, or separately, arrange to procure this information under the direction of a representative of this Department, in order that it may be available for use upon my return.

Accept [etc.]

ROBERT LANSING

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<sup>7</sup> For the Guatemalan request submitted July 25, and the Honduran request, Aug. 27, see *Mediation of the Honduran-Guatemalan Boundary Question, 1918-1919*, vol. I, pp. 159, 227-228; also vol. II, pp. 574-575.

714.1515/143a: Telegram

*The Acting Secretary of State to the Chargé in Guatemala  
(Thurston)*<sup>11</sup>

WASHINGTON, February 5, 1919, 3 p.m.

You are instructed to solicit an early interview with the President of Guatemala and to hand him a memorandum which reads textually as follows:

"Long before inaugurating the present mediation, in May 1918, the Government of the United States took the position that 'questions of concessionary rights in the disputed territory should not be discussed in a pure question of international boundary,'<sup>12</sup> in which position Guatemala graciously concurred on December 24, 1917.<sup>13</sup> Similarly the Department of State held on January 29, 1918,<sup>14</sup> that the necessary development work of the Cuyamel Company be proceeded with unhindered, meaning that it should continue to enjoy its rights to police protection, and to the extension of its lines unmo-  
lested, as provided by its concession. To insure the free exercise of these rights, the withdrawal, to north of the Motagua River, of Guatemalan troops, from the line of the Cuyamel Company's proposed extension, was asked in January 1918.<sup>15</sup> At the instance of the Department, Honduran troops had then been retired from the vicinity of that company's proposed extension and it was expected that the Department's wishes would be respected likewise by Guatemala during the progress of the mediation. About September 25, 1918, however, a Guatemalan official gave notice to the Cuyamel Company to cease its development work and the presence of Guatemalan soldiers near the scene, presumably for the purpose of giving effect to this order, again brought to the fore the whole question of troops, and the right of a concessionaire to maintain development work under the terms of old concessions, et cetera, which it was hoped might remain quiescent pending the conclusion of the mediation.

The Department desires, in its discussions with the Boundary Missions, to disassociate in so far as possible the movement of troops, the policing of properties, railroad extensions and development thereof, within the disputed zone, between the Motagua and the mountains, from the major question of mediating the boundary dispute. Therefore, it refrains from taking up the above matters officially and pressing them to a conclusion with the Boundary Missions now here and seeks, in this direct manner, to adjust these regrettable incidents which threaten the success of the mediation.

The Department earnestly desires (1) that Honduras shall police the section occupied by the Cuyamel Fruit Company between the Rios Negro, Cuyamel, Motagua and the mountains; (2) that Guatemala shall police that section of the International Railroad Com-

<sup>11</sup> The same, *mutatis mutandis*, Feb. 5, to the Minister in Honduras.

<sup>12</sup> See *Foreign Relations*, 1917, p. 791 (telegram to the Chargé in Guatemala).

<sup>13</sup> See *ibid.*, p. 792.

<sup>14</sup> See p. 94.

<sup>15</sup> See p. 85.

pany's branch which lies south of the Motagua between the river Bobos (the water course which runs nearest Quebrada de Oro), the Motagua, the junction of said branch with the main line near Amates and for a distance of two kilometers southward from the tracks of the same branch toward the mountain region; (3) that all troops will now be withdrawn from these districts and only police force remain in them until 90 days after the Mediator's recommendations have been made; and (4) that no increase in the number of troops stationed in the boundary zone at present will be made before the expiration of this period.

This suggestion is not to be interpreted as in any way indicating the Mediator's notion of where the boundary lies, but its acceptance by both parties is desired in order to reduce to a minimum all causes of possible friction, pending the conclusion of the mediation, and as a further evidence of good faith on the part of both governments and of their earnest wish to arrive at a satisfactory settlement of this long-standing dispute, which settlement will have a lasting effect upon the other countries of the Western Hemisphere and will redound to the honor to both Guatemala and Honduras."<sup>16</sup>

Strictly confidential. For your information and guidance the following facts are sent you:

The Department is not informed as to what development work the Cuyamel could do in the near future but it is assumed that it could not build beyond the Rio Negro prior to the conclusion of the mediation.

Acceptance of the Department's proposal, submitted above, cannot jeopardize the interests of either Honduras or Guatemala. The beginning of the last paragraph of the memorandum is inserted to safeguard both.

About December 3 just before leaving for Europe, Secretary Lansing requested that topographic and economic surveys be made during his absence. Using best available elements this could be accomplished in about five working months. Toledo accepted for Guatemala. Bonilla of Honduras, cognizant of position Department had taken with respect to allowing Cuyamel Development work to proceed unhindered and withdrawal Guatemala troops, was disposed to recommend that his Government approve provided Guatemala retired troops north of Motagua which would leave Cuyamel free to work (see correspondence January February last).

Department's informal efforts to arrange this with boundary commissions now here have been unavailing. American attorney for Guatemala seems to think matter of troops and exercise of rights of concessionaires should be dealt with directly, lest Guatemalan representatives retire from Mediation if pressed on above points, which in the last analysis they are without instructions to concede.

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<sup>16</sup> These proposals were not accepted by either Government concerned.

Department recognizes the delicacy of their recommending that Cabrera adopt course suggested. American Attorney for Honduras recognizes that conducting survey while Guatemalan troops remain before Cuyamel Railway South of Motagua would not affect adversely for Honduras Mediator's ultimate recommendations, but feels, in justice to Honduras' internal situation, Guatemalan troops should be withdrawn north of Motagua before survey begins. Kindly exercise your best efforts to the end that the President of the Country to which you are accredited adopt the Department's proposals. Failure will defeat Mr. Lansing's desires. Prompt acceptance by both parties will facilitate Department in putting surveyors in field in near future. It would appear that refusal to concur in this proposal which the Department considers eminently fair would logically throw the burden for failure upon the party declining.

After acceptances of above proposals are obtained the very practical question of providing \$25,000 will be presented to Boundary Missions here. Survey will cost about \$50,000 and it is desirable to have each country's half in hand when work begins.

POLK

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714.1515/158 : Telegram

*The Acting Secretary of State to the Minister in Honduras (Jones)*

WASHINGTON, *March 20, 1919, 6 p.m.*

Your March 13, 5 p.m.<sup>17</sup>

The replies<sup>17</sup> of the Presidents of Honduras and Guatemala to Department's February 5, 3 p.m., seem to have drawn interested parties but little, if any, nearer to the removal of misunderstanding regarding troop withdrawals than did the results obtained through Department's informal negotiations with Honduran-Guatemalan Boundary Missions here. Informally advise President Bertrand as follows:

"Since the approaching rainy season, which usually begins in June, precludes the conclusion of the topographic survey by that time, it is respectfully submitted that the economic survey be now undertaken in the hope that it could be concluded in 90 working days.

The economic survey should supply much of the information desired by the Secretary of State regarding the interests to be affected by the fixing of the boundary line. In order that it might also be of value to the countries interested, it seems advisable to have reports by United States Government soil, forestry, plant industry experts and also reports of a tropical land value and tropical agricultural expert. Such surveying party would be relatively small and could

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<sup>17</sup> Not printed.

work quickly and effectively, if guaranteed freedom of movement by Honduras.

It is thought that the economic survey would cost about \$30,000. If Honduras concurs and will state how her half of these funds are to be made available, the survey will be begun as soon as possible under appropriate direction.

Guatemala informed Department March 10 that she desired now to proceed with the economic survey, separately, if Honduras should decline to join."

POLK

714.1515/168 : Telegram

*The Minister in Honduras (Jones) to the Acting Secretary of State*

TEGUCIGALPA, April 5, 1919, 6 p.m.

[Received April 7, 5.23 p.m.]

Your April 4, 5 p.m.,<sup>18</sup> and March 20, 6 p.m. On March 22 President Bertrand accepted verbally proposal contained in your telegram of March 20, 6 p.m. and promised to send me written acceptance the following Monday. Delay due to awaiting reply in writing. Bertrand authorized me telegraph full acceptance and said that he will file this in writing on Monday. He says that Honduras' half could be available in any way desired by the Department. Bertrand's political activities occupy his entire time.

JONES

714.1515/156

*The Acting Secretary of State to the Chief of the Guatemalan Special Mission (Toledo Herrarte)*

WASHINGTON, April 16, 1919.

SIR: I have the honor to acknowledge the receipt of your note of March 10,<sup>18</sup> in which you point out that it will not be possible to conclude the topographic survey during the present dry season, but suggest that your Government is disposed to proceed, even though Honduras should not desire to join, with the economic survey, the conduct of which does not depend upon climatic conditions.

In reply I have the honor to say that the American Legation at Tegucigalpa has recently informed the Department that the Honduran Government has expressed its approval of undertaking an economic survey at this time.

The Department wishes to point out, however, that the part of the dry season remaining is rather short in which to conclude the economic survey; but being desirous of contributing in every possible way to the successful conclusion of the present mediation, it will

<sup>18</sup> Not printed.

endeavor to arrange for the organization of such an economic surveying expedition, under the supervision of the American Geographical Society. Informal conferences have already been held with this end in view.

It appears from the information hastily gotten together that the cost of the economic survey will be approximately \$30,000, and the Government of the United States will be pleased to be advised whether your Government desires that the survey be commenced under these circumstances and with the understanding that every reasonable effort will be made on the part of the American Commission to conclude the work before the next rainy season begins.

Upon receipt of your reply indicating when the \$15,000, the portion of the survey which is properly chargeable to Guatemala, shall be made available, the Department will be pleased to communicate to you a detailed statement of the plan of the survey, which probably will be in line with the informal exchange of views expressed between us this morning.

Accept [etc.]

FRANK L. POLK

714.1515/174

*The Chief of the Guatemalan Special Mission (Toledo Herrarte)  
to the Acting Secretary of State*

[Translation]

WASHINGTON, April 22, 1919.

MR. SECRETARY: I have had the honor to receive Your Excellency's kind note of the 16th instant in which you were pleased to say in reply to my note of March 10<sup>19</sup> that the Government of Honduras had expressed through the Minister of the United States at Tegucigalpa its readiness to start now the economic inspection suggested by the Most Excellent Mr. Secretary Lansing, and that the Department of State is consequently engaged in organizing the technical Commission of Inspection that is to operate under the auspices of the American Geographical Society.

Your Excellency deigned to add that the cost would amount to about thirty thousand dollars, fifteen thousand of which falls to the share of Guatemala, and that when that sum is available and my Government gives its consent to having the inspection carried out on those terms, Your Excellency will be pleased to submit to me a detailed statement of the plan on which the Commission intends to proceed.

In reply I take pleasure in informing Your Excellency that my Government gladly concurs in the suggestion offered by the Honor-

<sup>19</sup> Not printed.

able Department of State; that it places through me at its disposal its quota of fifteen thousand dollars and, lastly, that in addition to its contribution it will take special pleasure in extending to the commissioners all the assistance and facilities they may need in the discharge of their duties.

Awaiting the later statement which Your Excellency was pleased to promise, I take [etc.]

LUIS TOLEDO HERRARTE

714.1515/176d : Telegram

*The Acting Secretary of State to the Chargé in Guatemala  
(Thurston)*<sup>20</sup>

WASHINGTON, April 23, 1919, 6 p.m.

Kindly present a memorandum in the following sense to the President of the country to which you are accredited. As it is now too late to conclude a topographic survey before the end of the present dry season, the Department of State has requested the American Geographical Society to superintend the economic survey which is to be made in order to supply as much as possible of the information requested in the note of the Secretary of State addressed to the Chiefs of the Honduran-Guatemalan Boundary Missions at Washington, on December 3, 1918.

The American Geographical Society has nominated Major Percy H. Ashmead as executive in charge of the economic survey. He, Sidney Blake, assistant to Dr. Pittier, an engineer, and Albert Yates, Disbursing Clerk, sail from New York for Puerto Barrios aboard the *Saramacca* April 29, 9 a.m. The following named scientists, the first four of whom have been loaned, and the other two assigned, by the United States Department of Agriculture to collaborate in this work, complete the expedition. They sailed on the *Preston* from New Orleans April 26: Dr. Henri Pittier and assistant Dr. G. B. Gilbert, economic botanist; Dr. C. F. Marbut and assistant Dr. H. H. Bennett, representing Soils; Dr. W. H. [H. N.] Whitford and assistant Dr. L. R. Stadtmiller, representing Forestry.

Guatemala and Honduras very kindly offered to have engineers accompany the scientists of the expedition; but as the economic survey will not involve instrumental surveys it is thought to be preferable to have the engineers of the interested countries accessible in order to give information which may be desired by Major Ashmead, but not to accompany the scientists during their examinations. The time and funds of the expedition being limited, it is thought that this course will facilitate the conclusion of their labors.

<sup>20</sup> The same to the Minister in Honduras; through an error, the transmission was delayed until May 7 (File No. 714.1515/178).



Guatemala has graciously offered to furnish promptly, and when needed, to the members of this expedition, whatever cooks, servants, laborers, and animals may be required, and to provide them with utensils, tools, shelter, etc., and with their subsistence, travel, and other expenses, free of all payment therefor from the funds now at the disposal of the Geographic Society. It is assumed that Honduras will desire to act as Guatemala has done in this regard. The shortage of time, however, precludes detailed arrangements and makes it necessary for the scientists to begin their labors near the section in which are situated the most important interests likely to be affected by the decision of the boundary matter. In these circumstances it has been deemed to be expedient to commence work near Amates on account of its favorable rail and water transportation facilities and to proceed thence towards the Caribbean, rather than to inaugurate the survey by first paying official visits at the capitals of the interested countries. It is hoped that the local authorities of both Honduras and Guatemala will place themselves in touch with the members of this scientific party, and provide them with the help required.

The Department of State acknowledges the repeated gracious assurances of the Chiefs of the Boundary Mission and of the country to which you are accredited, that every facility will be placed at the disposal of the members of the scientific party, (each of whom carries a passport and will soon be provided with a letter of authority from the American Geographical Society), which happily eliminates all probability of delays or other interruptions.

POLK

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714.1515/252

*The Executive of the Guatemala-Honduras Economic Survey (Ashmead) to the Representative of the Department of State (Long)*

NEW YORK, June 25, 1919.

[Received June 26.]

SIR: By direction of the President of the American Geographical Society, I have the honor to give you the information which follows, concerning the Economic Survey of the territory in dispute between Guatemala and Honduras made by the Expedition sent to that region by this Society at the request of the Department of State:—

(a) During the period of time between May 3rd and June 4th, 1919, the Scientists from the Bureaus of Forestry, Soils and Plant Industry have made an examination of an area which may be de-

scribed in general as the territory to the north-east of a line drawn through the towns of Izabal, Los Amates, El Paraiso and La Florida, as far as the sea from Livingston to Omoa.

(b) During the period of time between May 9th and June 4th, 1919, the Executive of the Expedition and his Civil Engineer Assistant have made a study of the extent and character of the interests of the respective countries which are likely to be affected by the settlement of this boundary, and

(c) have also made a study of the topographical conditions,—(without instrumental work, but having copies of the official maps of Guatemala and Honduras before them,)—by a reconnaissance in an area which may be in general described as the territory inside lines drawn from Cerro Brujo to Izabal, thence by Lago [de] Izabal, Golfete and Rio Dulce to Livingston, thence to Puerto Barrios, thence to Cinchado and the Quebrada Jimerito, and thence by La Florida, Dulce Nombre, San Augustin, etc., to Cerro Brujo.

(d) It is hoped that the maps, photographs and the main report of the results of the Expedition will be completed between the end of July and the middle of August, provided the individual reports from the Heads of the Scientific Sections are received promptly.

Respectfully,

P. H. ASHMEAD

714.1515/282

*The Executive of the Guatemala-Honduras Economic Survey (Ashmead) to the Representative of the Department of State (Long)*

[Extract]

NEW YORK, *September 5, 1919.*

[*Received September 9.*]

MY DEAR MR. LONG: Herewith is enclosed a revision of the summary of the report on the Guatemala-Honduras Economic Survey, . . .

Sincerely yours,

P. H. ASHMEAD

[Enclosure]

*Summary of the Report on the Guatemala-Honduras Economic Survey*

The Report of the Economic Survey of the territory in dispute between Guatemala and Honduras, which follows, describes topographical conditions in the area examined, based on existing maps, and upon field observations without instrumental surveys, and also

includes statements concerning the extent and character of the interests of the countries in the region.

The Atlantic littoral now governed by Guatemala extends from the mouth of the Rio Sarstoon to that of the Rio Motagua, a distance of about 50 miles by direct line,—through this region flow the rivers Sarstoon, Dulce and Motagua.

Honduras governs from the mouth of the Rio Motagua to that of the Rio Segovia (or Wanks), a distance of about 380 miles by direct line,—through this region flow the rivers Chamelecon, Ulua, Colorado, Aguan (or Romano), Negro (or Sico), Patuca and Segovia.

The total area examined,—4,615 square miles,—is reported upon in detail under the captions, First District (*a*), Second District (*b*), Third District (*c*), Present Occupancy and Rule and General Description of the Territory, that portray the physical aspects of the territory, characteristics of the people and their abodes, as well as amplify the statements concerning productions in the area examined. This is followed by the reports of the Scientists on Plants, Soils and Forests written by the Heads of those Sections of the Expedition.

The first district (*a*) reaches from Cerro Brujo to Cerro Obscuro and includes an area of 75 square miles having about 375 inhabitants. It lies on both sides of a divide extending from Cerro Brujo over Cerro Monte Cristo, Gacho (or Bonete) and Cerro Pelon and from there to Cerro Tecomapa, from which it lies on both sides of the Quebrada Tecomapa (or Agua Caliente) and of the Quebrada La Brea to a point some two miles west of the peak named Cerro Obscuro by Guatemala.

Almost without exception Guatemala governs to the west of these peaks, whilst to the east Honduras governs.

The second district (*b*) reaches from Cerro Obscuro to Cerro Llano Grande near Copan, and includes an area of 540 square miles having about 5,400 inhabitants. It lies to the north of the Atlantic-Pacific divide that passes over Cerro Obscuro, Cerro del Mico (or San Isidro) and Mojon Pena Blanca, and north of the last named peak this district includes areas east and west of Cerro Bolillo, Cerro del Mono, Cerro San Jorge, Cerro Boneton, Cerro Tixiban, Cerro Sepulturas, and reaches to Cerro Llano Grande north-west of Copan. In the western area lie the towns of La Union (or Chanagua), Tablon de Sulay and La Paz (or Monteros) now under Guatemalan jurisdiction, whilst in the eastern area are the towns of San Jorge, Copan and Santa Rita governed by Honduras.

The third district (*c*) embraces a much greater area,—4,000 square miles,—having about 18,000 people. It extends to the north and east of the other two districts, and lies both sides of Cerro Morola and the high peak named Cerro Azul that is north-east of the town

of El Paraiso. This Cerro Azul is the most prominent peak in the Cordillera Espiritu Santo and the mountains of Omoa, the continuing range to the north-east toward the sea.

The greater part of the third district lies to the north of this mountain range and extends across the valley of the Rio Motagua and over the Cordilleras de las Minas and del Mico to Lago de Izabal, Golfete and Rio Dulce.

Close to the top of the divide of the Cordilleras Gallinero, Grita and Espiritu Santo,—in the very sparsely populated area described in the report,—are the villages of Paraiso, Tarros and Joconal governed by Honduras. Toward the north-west, down the side of the Cordillera toward the valley of the Rio Motagua but south thereof, are the villages of Quiche, Mixco and Las Quebradas governed by Guatemala. There are, however, isolated places occupied by Honduranians; a few Honduras soldiers are within ten or twelve miles ride of Los Amates at El Lancetillal near the Rodezno cattle ranches, Alsacia and Lorena.

Guatemala has a *comandancia* at Las Quebradas, the placer gold region of the Rio Bobos, and another at Cinchado on the south side of the Rio Motagua some 20 miles inland from its mouth. From Cinchado an outpost of Guatemala soldiers is stationed at Punto de Railes,  $2\frac{1}{2}$  miles south of the river, whilst Honduras has an outpost of soldiers  $\frac{1}{2}$  mile away on the Cuyamel Railroad at the Quebrada Jimerito. The Honduras map indicates a *comandancia* on the south side at the mouth of the Rio Motagua.

The Cuyamel Railroad of Honduras at the present time extends from Omoa at the coast and passes through the town of Cuyamel and over the Rio Tinto to the end of the track at Cacao near the Rio Nuevo, from which some embankment extends toward the Rio Chachagualillo [*Chachahuabilla*]; between this last named river and the Rio Chiquito a survey has been made for a railroad line to pass over the mountains and down the south side of Macuelizo.

The Guatemala Northern section of the Ferrocarriles Internacionales de Centro America passes through this district and extends from Puerto Barrios to the Capital of Guatemala.

Bananas are the most important and remunerative product of the territory in dispute, the intensive culture of which is in the valleys of the Rio Motagua and its affluents near the sea, and of the Rio Cuyamel. Annual shipments amount to nearly 5,000,000 bunches, of which 4,500,000 bunches are shipped from Puerto Barrios. Other main products of the region studied are maize, tobacco, coffee, sugar cane and beans.

Small quantities of rubber,—hule,—are shipped from Puerto Barrios. Citrus and other tropical fruits grow, but are not shipped in large quantities.

Yellow pine, mahogany and cedar trees grow on the mountains, and there are indications of petroleum at the Quebrada Cristina in the Motagua valley near Virginia.

### CONCLUSIONS

The map constructed from the two maps without hypsometric information officially received,—one from Guatemala and the other from Honduras,—gives a distinct picture of the territory studied. At this time it is not possible to say that all the land grants of each country in the region studied have been indicated on their maps, but it is of interest to note that the information of that character which is shown on their maps indicates comparatively little conflict or over-lapping of land grants, which are as follows:—

<i>Region of Over-lapping Grants</i>	<i>Area or Length of These Over-lapping Grants</i>
Rio Tinto on the Cuyamel Railroad,	Less than 2 square miles.
Right of Way of the Cuyamel Railroad of Honduras between Rio Tinto and Rio Nuevo,	Constructed for approximately 8 miles in length on Guatemala land grants.
Proposed extension of the Cuyamel Railroad of Honduras to Macuelizo, between Rio Nuevo and Rio Chiquito,	Projected for approximately 36 miles in length, 22 miles of which are on Guatemala land grants.
Region of Lago Villa Hermosa, Rio Morja, Rio Jubuco and Rio Managua,	Approximately 108 square miles.
Region from Cerro Llano Grande, and Copan to San Jorge and La Union (or Chaumagua),	Approximately 38 square miles.
Region from Cerro Obscuro to Cerro Brujo,	No conflicting land grants are indicated on the map, but the area disputed is approximately 30 square miles.

These conflicting land grants, therefore, amount to less than 178 square miles of land, and to from 30 to 46 miles of Railroad Right of Way in the total area of 4,615 square miles included in the studies of the Economic Survey.

In general all of the region examined is rich in soil and natural resources, but it is sparsely populated having, according to our conjecture, about five inhabitants per square mile, or a total of less than 24,000 people.

Banana shipments greatly exceed in tonnage and value all other exports. The product next in importance for export is tobacco, followed by cattle; this is so because all of the region of intensive and highly successful coffee cultivation lies outside the districts examined during the Economic Survey. Maize, coffee, sugar cane, beans and other vegetables as well as citrus and other tropical fruits, are successfully raised and doubtless their production might

be readily increased from ten to twenty fold if transportation facilities were better and swifter.

The whole region studied needs railroads and good roads before it can reap the great benefit due its natural resources, consequently other than bananas, tobacco and cattle, practically no more than is sufficient for their own use and for barter is produced in the region examined.

While the survey was an economic one it embraced a study of the interests likely to be affected by the settlement of the boundary. It therefore seems appropriate to refer to the opinions of the inhabitants who occupy and cultivate adjacent lands, the clarification of the titles to which they earnestly seek.

After studies of the map and historical data relating to the region, and having also traveled on mule-back, by railroad, and by boats through the territory in dispute, and camped and lived among, and talked to the people of both countries, it is possible to say that a boundary line can be located in the region that will be acceptable to practically all the people who actually live and work in the region,—an industrious, law-abiding class of ranchmen, farmers, merchants and laborers,—all of whom desire the question of the boundary to be quickly settled and thereby to eliminate any probability of armed conflict over the question, and who, with but few exceptions, expressed with dignified calmness and candor their opinions in regard to the question of the boundary. The exceptions were persons who had been there but a short time and were not actual residents of the region.

After the successful termination of the present mediation, and a delineation of the boundary agreed upon has been indicated on the map, it seems advisable to establish the line on the ground from Cerro Brujo to the sea, to accomplish which, it is tentatively suggested that a Commission of Survey be appointed, composed of an equal number of Civil Engineers from each of the interested countries. In order to obviate delays as far as possible, and to judge and interpret the meaning of any instructions issued to the Commission of Survey by the Governments of the interested countries, and also to act upon and correct any misunderstandings concerning the manner of performing the work and the actual location of the boundary line at any point or points, it is also tentatively suggested that three Civil Engineers be appointed to constitute a Board of Arbitration with authority to decide definitely any question or questions concerning the above mentioned, or other matters on which the Commission of Survey disagrees. This Board of Arbitration might well be composed of one member appointed by the President of Guatemala, one member appointed by the President of Hon-

duras, and a third member to be agreed upon by the Presidents of both countries, or in the event of their being unable to agree to a selection, the two Presidents might request the President, or Sovereign, of another country to nominate the third member of the Board of Arbitration. It would be advisable for the members of the Commission of Survey to remain always in, or near, the region of the field work during the time the surveys are progressing; also it would be advisable for the members of the Board of Arbitration to be frequently informed of the status of the work in the field. This Board should only be called upon to act when there is need to render decisions in matters as above stated. It seems also advisable that an agreement should be made between the two interested countries that a majority vote of the Board of Arbitration shall decide any question upon which it is called to act, and that such decision shall be final and shall be recognized and complied with by the Commission of Survey.

The actual length of the boundary line to be surveyed, of course, will not be known until the successful termination of this mediation. It is, however, safe to assume that the distance will be between 150 and 200 miles, and it seems advisable that the boundary line should be marked with permanent monuments, that the region should be topographically mapped accurately for a breadth of one mile on each side of the line, that general topography in less detail be mapped for an additional mile on each side of the line, and that at the same time this topographical work is being done the base line of the survey should be tied in to the main triangulation points that are indicated on the maps of the two countries.

It is estimated that this survey work, efficiently supervised and under normal conditions of weather and crops, may be completed during a period of six dry months, by ten survey corps particularly chosen for competency in this class of work, at a cost of from \$160,000. to \$180,000.

The above described method of marking the boundary is considered preferable, but an alternative method,—for the purpose of solely marking on the ground the boundary line without topographical surveys nor tying the line to the triangulation points above mentioned, and thereby reducing expenditures,—would be to have a Commission of five Civil Engineers, composed of two commissioners appointed by the President of each of the interested countries, and a fifth member of the Commission agreed upon and appointed by the Presidents of these two countries, or in the event of their being unable to agree to a selection the two Presidents might request the President, or Sovereign, of another country to nominate the fifth

member of the Commission. It would be advisable for the members of this Commission of Engineers to remain always in or near the region of the field work during the time the surveys are progressing.

It seems also advisable that an agreement should be made between the two interested countries that a majority vote of the Commission of Engineers shall decide any question upon which it has authority to act, and that such decision shall be final and shall be so recognized and complied with during the progress of the work.

It is estimated that work of this character, efficiently supervised and under normal conditions of weather and crops, may be completed during a period of from three to four dry months by ten survey corps particularly chosen for competency in this class of work, at a cost of from \$80,000. to \$100,000.

714.1515/279

*The President of the American Geographical Society (Greenough)  
to the Secretary of State*

NEW YORK, *October 16, 1919.*

[*Received October 17.*]

DEAR SIR: We have the honor to present herewith the economic survey organized and directed by this Society, covering the territory in dispute between Guatemala and Honduras, (about 4,615 square miles), this survey being made in accordance with instructions from the State Department:—

“to show the extent and character of the interests of the respective countries which are likely to be affected by the settlement of the boundary.”

The documents submitted are as follows:<sup>21</sup>

1. General report and summary, with map of the disputed territory
2. Reports by the scientists of the expedition
  - (a) Forestry, with map
  - (b) Plant and Botanical report
  - (c) Soils and Agriculture, with three maps.

The general report, by Major P. H. Ashmead, Chief Executive of the expedition for which we are responsible, contains the data requi-

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<sup>21</sup> The documents are not printed on account of their length and the inclusion of photographs and maps; the main report is summarized *supra*. Of three sets of copies received, one was sent to each of the Special Missions. The report itself is not included in the printed documents of the boundary conference, but the comments on it submitted by counsel for the Guatemalan Mission, December, 1919, and by the attorneys for Honduras, Jan. 28, 1920, are published (*Mediation of the Honduran-Guatemalan Boundary Question*, vol. II, pp. 613 ff., 633 ff.).



site to determine an equitable boundary line, but we do not feel called upon under our instructions to comment further on this aspect of the report. If further explanation is desired at any time, we should be happy to respond. The map accompanying the general report visualizes the matter and is essential to an intelligent comprehension of the latter. The map was constructed by us by combining information afforded by maps given by the representatives of the governments of Guatemala and Honduras, and, although no topographical survey was attempted by us, yet the surveyor of our expedition conducted extensive field examinations, which assure the substantial accuracy of our map submitted. The progress of science, which enables us to submit many photographic illustrations elucidating the report, is a comparatively novel feature.

With reference to the scientific reports, they will be found to deal exhaustively with their respective subjects and the maps accompanying them are of especial interest and novelty and convey at once to the eye the leading natural features of the country under survey. The possession of these maps by the respective governments can not fail to be welcome, for they deal exhaustively with a matter which has never been similarly presented to them. A study of the maps practically presents to the eye information dealt with at length in the reports.

It is fitting that we should make acknowledgment of the great courtesy and assistance rendered to our representatives by each of the governments involved, during their work upon the survey, whereby their labors were greatly facilitated and the time requisite for the completion of their work greatly abridged.

We are [etc.]

AMERICAN GEOGRAPHICAL SOCIETY OF NEW YORK  
By JOHN GREENOUGH, *President*

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Honduras and Nicaragua:<sup>22</sup> Good Offices of the United States in Maintaining the Agreed Status Quo of 1918—Charges of Violations of Status Quo

715.1715/71: Telegram

*The Minister in Nicaragua (Jefferson) to the Secretary of State*

MANAGUA, *September 24, 1918, 2 p.m.*

[*Received 10.19 p.m.*]

Department's September 20, 5 p.m.<sup>23</sup> Nicaraguan Government apparently is complying with its agreement and has no patrol in Las

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<sup>22</sup> Continued from *Foreign Relations*, 1918, pp. 11-34.

<sup>23</sup> Not printed.

Trojas. I shall continue to make it clear to the President that his guards et cetera are not to proceed farther than the zone occupied by them on May 20th, 1918.

Honduran Chargé d'Affaires stated to me that he did not anticipate any further difficulties. His relations with Chamorro<sup>24</sup> are very cordial.

I do not believe that there will be any further trouble here regarding this matter. All is apparently progressing in a very satisfactory manner.

JEFFERSON

715.1715/84a : Telegram

*The Acting Secretary of State to the Minister in Honduras (Jones)*

WASHINGTON, December 21, 1918, 4 p.m.

The Nicaraguan Minister in Washington has received the following telegram from his Government:

"Inform the State Department that the Government of Honduras is committing acts which violate the agreement made recently with the Government of the United States.

The Honduras Government is opening trails and installing lines from the Honduras point Chichicaste to the disputed zone, having already entered Nicaraguan territory for the distance of one league. The Government has information of the sending of 50 armed men to the frontier. I demanded today of the Government of Honduras that the work be suspended by virtue of the agreement entered into by both Governments with the United States on accepting the friendly mediation of that country. I believe that this should be told the United States Government, calling attention to the aggressive action of Honduras, notwithstanding the conduct observed by Nicaragua in keeping to the terms of its agreement with the United States."

You will immediately visit the Minister for Foreign Affairs and inquire into the above situation. If you find the statements of the Nicaraguan Foreign Office to be correct you will inform the Minister for Foreign Affairs that the Department of State is at a loss to understand the action of the Honduras Government, in view of its acceptance of the good offices of the United States Government in the boundary dispute between Honduras and Nicaragua. The acceptance of the good offices of this Government bound the Governments of Nicaragua and Honduras not to enter the disputed territory.

Reply by cable.

POLK

<sup>24</sup> Gen. Emiliano Chamorro, President of Nicaragua.

715.1715/86 : Telegram

*The Minister in Honduras (Jones) to the Acting Secretary of State*

TEGUCIGALPA, January 2, 1919, 10 p.m.

[Received January 4, 4 p.m.]

Department's December 23, 3 p.m.<sup>25</sup> On the 19th instant [*ultimo?*] I conveyed to Under Secretary of State the charge that Honduras was violating *status quo* with Nicaragua and gave specific facts. He promised to take the matter up with Bertrand<sup>26</sup> immediately and report. [Following your] December 20, 6 p.m. [December 21, 4 p.m.], I immediately laid the matter before the Under Secretary of State for Foreign Affairs at length. He declared that he had no advice concerning my first complaint, that he was not advised as to Bertrand's action or result of inquiry, that he had already received from Nicaraguan Minister for Foreign Affairs substance of this last communication and had forwarded it to Bertrand who was in remote section and difficult to reach. He seemed to make a distinction between "disputed territory" and the line of demarcation fixed originally by the King of Spain. Replying to categorical inquiry he was unable to affirm or deny the charge of armed Honduraneans crossing into Nicaraguan territory but confessed that the Honduran Government was opening telegraph lines to Las Trojas. He made a counter charge against Nicaragua stating that it continued to violate *status quo* by timber cutting in disputed territory and that he was prepared to establish same with conclusive evidence. He protested full determination of Honduraneans to follow wishes of the Government of the United States and strictly maintain *status quo*. I fully impressed gravity of the situation and he promises to emphasize situation to Bertrand and report as soon as possible.

JONES

715.1715/88 : Telegram

*The Chargé in Nicaragua (Curtis) to the Acting Secretary of State*

MANAGUA, January 8, 1919, 3 p.m.

[Received January 9 (?), 12.30 p.m.]

The President informs me that Honduras is building road and telegraph line in Nicaraguan territory which has never been claimed by Honduras, and that he has ordered local governor to arrest the workmen, taking care that he do so in the territory undisputably Nicaraguan.

CURTIS

<sup>25</sup> No record of such a telegram found in Department files.

<sup>26</sup> Francisco Bertrand, President of Honduras until Sept. 9, 1919.

715.1715/86 : Telegram

*The Acting Secretary of State to the Minister in Honduras (Jones)*

WASHINGTON, January 8, 1919, 7 p.m.

Your December 26, 5 p.m.<sup>27</sup> and January 2, 10 p.m.

According to understanding of Department Las Trojas is in disputed territory. You will therefore inform Minister for Foreign Affairs that, particularly in view of his statement that it is the determination of Honduras to follow the wishes of the Government of the United States and strictly to maintain the *status quo*, the Government of the United States is at a loss to understand the action of the Honduran Government in building a telegraph line into the disputed territory, and feels confident that after a reconsideration of the matter in the light of the understanding of the United States, it will cease construction upon this line until a final decision of the dispute between Honduras and Nicaragua is reached.

POLK

715.1715/89 : Telegram

*The Minister in Honduras (Jones) to the Acting Secretary of State*

TEGUCIGALPA, January 14, 1919, 6 p.m.

[Received January 16, 3.59 p.m.]

In further reference to your telegrams of December 14 [21?], 4 p.m. and January 8, 7 p.m., I have received from the Minister for Foreign Affairs note as final reply of Bertrand, substance of which is as follows: "The [construction] of telegraph lines to Las Trojas was commenced long before the present difficulty [over the] boundary with the Nicaraguan Government arose. Lack of materials caused suspension of line, construction [of] which has not been carried to Las Trojas but to Chichicaste far from disputed territory. Bertrand again protests firmest determination to maintain *status quo* and accede to friendly suggestions of the United States.

The Honduran Government makes a complaint that Nicaragua violates [agreed] *status quo* by granting lumber concessions in the disputed territory, claiming to have conclusive proof. [Requests] the Government of the United States make representations to the Nicaraguan Government that it should desist from violation of *status quo* [garbled group]. The Minister for Foreign Affairs showed me documents supporting above. Have heard nothing since.

JONES

<sup>27</sup> Not printed.

715.1715/88: Telegram

*The Acting Secretary of State to the Chargé in Nicaragua (Curtis)*WASHINGTON, *January 14, 1919, 7 p.m.*

Your January 8, 3 p.m.

Department is apprehensive of the result of arresting Honduran workmen even though on Nicaraguan territory. Department deems it important that Nicaragua strictly observe the *status quo* and feels confident that it will do so. Take up matter with the Minister for Foreign Affairs in this sense.

POLK

715.1715/92: Telegram

*The Acting Secretary of State to the Chargé in Nicaragua (Curtis)*WASHINGTON, *February 13, 1919, 6 p.m.*

Government of Honduras through Boundary Commissioner in Washington has protested to Department against cutting of wood by Nicaragua in territory claimed by Honduras. Places mentioned are Aguaguas and Agualguas near Segovia River. Also against grants of concessions given by Government of Nicaragua to Gutierrez Peña and to Calderon which it is stated are in territory claimed by Honduras. He asked *status quo* be respected. Investigate and report to Department in regard to these protests.

PHILLIPS

715.1715/97: Telegram

*The Minister in Nicaragua (Jefferson) to the Acting Secretary of State*MANAGUA, *February 18, 1919, 3 p.m.*

[Received 8.26 p.m.]

Department's February 13, 6 p.m. Nicaraguan Minister for Foreign Affairs sent a telegram to Honduran Government under date of January 28th last in which he informed that Government that the Gutierrez Pena timber concession had been annulled and the only timber cutting is in zone occupied by Nicaragua as per agreement previous to May 20, 1918.

JEFFERSON

715.1715/120

*Memorandum of Mr. Boaz Long, of the Division of Latin American Affairs of the Department of State*

[Extract]

[WASHINGTON,] November 13, 1919.

DEAR DR. ROWE<sup>28</sup>: Nicaragua has never been disposed to recognize and abide by the award of the King of Spain which fixed her boundary with Honduras.

In 1915 the Honduran Minister requested the Secretary of State on various occasions to use his good offices with Nicaragua to the end that effect be given to the award. This was never accomplished.

About a year ago conditions arose which gave the United States the opportunity to act in the capacity of friendly adviser to Nicaragua and Honduras. The former country named its Minister to Washington, Mr. Diego Chamorro, and the latter named Dr. Policarpo Bonilla, as representatives near the Department of State to reflect the aspirations of their respective countries. Both of the gentlemen named saw Mr. Stabler repeatedly, and as I was handling the Honduran-Guatemalan boundary matter, Mr. Stabler suggested that I take over also the boundary question between Nicaragua and Honduras. He recommended, however, to the parties in interest that it might be well to delay action pending the mediator's recommendation in the Honduran-Guatemalan case. Both parties were disposed to do this, and thus the matter seems to have rested, with the exception of one series of negotiations which related to the construction of a telephone line into a village called Las Trojas, until Honduras invited Bonilla to proceed to Paris as its representative before the Peace Conference. Bonilla felt that he could not accept unless Nicaragua was willing to defer consideration of the boundary award. Minister Chamorro was consulted, and stated that it would take him at least three months to prepare, and he expressed the willingness to allow the matter to remain in *status quo* for that period and any reasonable additional period should it become necessary, and Dr. Bonilla accepted these assurances as satisfactory and proceeded to Paris. During his absence there were no important developments in the Nicaraguan-Honduran boundary matter. I have this day interviewed Minister Chamorro and Dr. Policarpo Bonilla, and the former advises me that he is now about

<sup>28</sup> Dr. Leo S. Rowe became chief of the Division of Latin American Affairs in November, 1919; his predecessor, Jordan Herbert Stabler, resigned in August, 1919.

ready to take up the matter, whereas the latter is in some doubt as to his precise status with respect thereto, owing to the change of Government in his country.

BOAZ LONG

715.1715/105 : Telegram

*The Consul in Charge of the Legation in Honduras (Lawton) to the Secretary of State*

TEGUCIGALPA, November 28, 1919, 10 a.m.

[Received 8.35 p.m.]

The Minister for Foreign Affairs of Nicaragua addressed Foreign Office of Honduras on the question of the inauguration of a telegraph office in disputed territory. I endeavored, through Legation of the United States at Managua, to have the matter left in abeyance for the present believing that the new administration should settle the difference, but without success. The Honduran Government alleging that Nicaraguan citizens, since the border disturbances last year now before the Department of State for settlement, have constantly invaded Honduran territory and have cut thousands of dollars worth of timber. The Honduran Government does not feel justified in removing the telegraph office on the demands of Nicaragua.

LAWTON

715.1715/105a : Telegram

*The Secretary of State to the Consul in Charge of the Legation in Honduras (Lawton)*

WASHINGTON, December 1, 1919, 2 p.m.

Department informed by Nicaraguan Minister that Nicaraguan Government on November 8th sent telegraphic protest to Honduran Government regarding the putting up of telegraph lines and the appointment of a Honduran Commander in Potrerillos; also regarding the installation of another telegraph line in Las Trojas and regarding a declaration nationalizing Totecasinte. The Nicaraguan Government states that these acts violated the *status quo* which both countries promised to maintain pending the friendly mediation of this Government with regard to the whole question of the disputed boundary. Please investigate and cable Department.

LANSING

715.1715/106 : Telegram

*The Consul in Charge of the Legation in Honduras (Lawton)  
to the Secretary of State*

TEGUCIGALPA, December 4, 1919, 11 a.m.

[Received December 5, 12.10 a.m.]

Department's telegram about Nicaragua. Department advised, see my telegram of November 28, 10 a.m. Only one telegraph line installed and that was partly accidental. The Honduran Government will remove it if the Department requests but Nicaraguans must cease cutting timber in disputed territory which has continued for the last year. On November 30 Nicaraguan forces numbering forty are reported to have entered Honduran territory and fired at Honduras customs guard, later retired but captured two Honduraneans one of whom escaped. I telegraphed to Minister Jefferson to use good offices to have troops recalled.

LAWTON

715.1715/106 : Telegram

*The Secretary of State to the Consul in Charge of the Legation in Honduras (Lawton)*

WASHINGTON, December 11, 1919, 3 p.m.

Your December 4, 11 A.M., and Department's Dec. 1, 2 P.M., inform Government of Honduras that Department considers the installing of telegraph lines in the disputed territory a violation of the *status quo* and such lines should therefore be removed. The Department has telegraphed Legation at Managua to take up with Nicaraguan Government question of cutting timber in disputed territory.

LANSING

715.1715/108a : Telegram

*The Secretary of State to the Minister in Nicaragua (Jefferson)*

WASHINGTON, December 11, 1919, 3 p.m.

Reports continue to reach Department from Honduras that Nicaragua continues to cut timber in disputed territory. You are instructed to bring matter to the attention of the Government and to urge upon it the importance of maintaining the *status quo*. The Department has instructed Legation at Tegucigalpa to obtain the removal of the telegraph lines installed in disputed territory by Honduran Government.

LANSING



715.1715/109 : Telegram

*The Minister in Nicaragua (Jefferson) to the Secretary of State*

MANAGUA, December 17, 1919, 3 p.m.

[Received 11 p.m.]

Department's December 11, 3 p.m. The President informs me that he has made an investigation and finds that Nicaraguans are not cutting timber outside of zone agreed upon in my telegram of August 23, 11 a.m., 1918 and Department's August 28, 6 p.m., 1918.<sup>29</sup>

I am of the opinion that it is the President's intention to carry out agreements made with the Department.

Nicaraguan Minister for Foreign Affairs informs me that in view of the aggressions of the Honduran Government, he felt it his duty to protest both to the Department and Honduran Government.

JEFFERSON

715.1715/111 : Telegram

*The Consul in Charge of the Legation in Honduras (Lawton) to the Secretary of State*

TEGUCIGALPA, December 26, 1919, 3 p.m.

[Received December 27, 9.40 p.m.]

In accordance with recommendation in the Department's cablegram of December 11, 3 p.m., the Honduran Government gave instructions ten days ago to remove telegraph office in disputed territory.

LAWTON

715.1715/110a : Telegram

*The Secretary of State to the Consul in Charge of the Legation in Honduras (Lawton)*

WASHINGTON, December 29, 1919, 5 p.m.

Nicaraguan Minister here has received two cables from his Government stating that large bands of Honduran troops are on the frontier a short distance inland from Fonseca Bay, and that near Teotecacinte Honduran troops are camped on Nicaraguan territory and have fired on and wounded a certain Ramos. Inquire of President Bogran<sup>30</sup> why, if the statements are accurate, the troops are assembled at this point.

LANSING

<sup>29</sup> *Foreign Relations*, 1918, pp. 33-34.<sup>30</sup> Francisco Bográn assumed the presidency of Honduras on Oct. 5, 1919.

715.1715/112 : Telegram

*The Consul in Charge of the Legation in Honduras (Lawton) to the Secretary of State*

TEGUCIGALPA, December 31, 1919, 5 p.m.

[Received January 1, 1920, 11.30 a.m.]

Department's [December 29, 5 p.m.] The Foreign Minister denies categorically that any troops have been sent to Nicaraguan frontier except that a detachment of about one hundred are near Fonseca Bay on the alert for rumored revolutionary expedition of Honduraneans from Nicaragua. If any Honduran troops have been or are in Nicaraguan territory he hopes they will be apprehended as they are undoubtedly imposters. I reported to Legation of the United States at Managua the rumors of political movements of Honduraneans in Nicaragua.

LAWTON

#### THE TACNA-ARICA QUESTION <sup>21</sup>

Expulsion of the Peruvian Consul from Iquique, November 24, 1918—Withdrawal of Peruvian Consuls from Chile—Offer of Good Offices of the United States for a Solution of the Dispute, December 4; Suggestions That South American Governments Support This Action—Acceptance of "Mediation" by Peru; Noncommittal Reply of Chile—Action of South American Governments

723.2515/322 : Telegram

*The Minister in Peru (McMillin) to the Secretary of State*

LIMA, April 24, 1918, 1 p.m.

[Received 11.56 p.m.]

In view recent publications in Chilean and Peruvian papers on Tacna Arica dispute reported by me, I discussed question with Minister of Foreign Affairs. He says that nothing at all being done by two Governments concerning the question.

McMILLIN

723.2515/328 : Telegram

*The Minister in Peru (McMillin) to the Secretary of State*

LIMA, November 9, 1918, 2 p.m.

[Received 10.50 p.m.]

Confidential. I was called to Foreign Office this morning. Minister for Foreign Affairs stated that question between Peru and Chile over Tacna and Arica was becoming acute. He intimated that question was even more serious than he could divulge.

McMILLIN

<sup>21</sup> Continued from *Foreign Relations*, 1913, pp. 1164-1239.

723.2515/328 : Telegram

*The Secretary of State to the Minister in Peru (McMillin)*<sup>22</sup>

WASHINGTON, November 21, 1918, 7 p.m.

Confidential. Department desires you to send by cable in near future a confidential report on the drift of opinion in Government and leading circles in regard to Tacna Arica question; what attitude and moves are likely to be taken in the immediate future by the Government to which you are accredited.

All reliable advance information will be useful not omitting the attitude and likely policy of the leading South American and European countries.

LANSING

723.2515/333 : Telegram

*The Minister in Peru (McMillin) to the Secretary of State*

LIMA, November 25, 1918, 9 a.m.

[Received 9.10 p.m.]

Minister for Foreign Affairs informed me 8.30 last night of a telegram from Peruvian Consul Iquique on board steamship *Palena* stating that [Chileans of] Iquique committed grave outrages against the property of Peruvian residents and Peruvian banking and commercial houses. While Peruvian Consul Llosa was going to the *Intendencia* to enter formal protest against outrages, he was forcibly taken by disturbers to the steamship *Palena* and ordered to stay there. The authorities who were present during the affair did not interfere with action of masses. After the consul was placed on board, he was detained by detachment of soldiers under the command of Lieutenant Meza of the Grenadiers and received notice from the Maritime Governor not to attempt to disembark.

In view of this action, Peruvian Government 1.30 this morning sent instructions to all Peruvian consular officers in Chile to leave immediately for Peru.

MCMILLIN

723.2515/332 : Telegram

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

SANTIAGO, November 25, 1918, 2 p.m.

[Received 5 p.m.]

Informed that Peruvian Consul at Iquique who is blamed for recent troubles was asked to leave that city yesterday. Also that all

<sup>22</sup> The same, Nov. 21, to the Ambassador in Chile.

Chilean consuls are being recalled from Peru as a matter of precaution. Government here greatly worried over situation. Believe proposition will be made to grant port to Bolivia.

SHEA

723.2515/334 : Telegram

*The Minister in Peru (McMillin) to the Secretary of State*

LIMA, November 27, 1918, 3 p.m.

[Received November 28, 2.10 a.m.]

Legation's Nov. 25, 9 a.m. After Chilean disturbances and withdrawal Peruvian consuls, Chile authorized withdrawal her consuls from Peru but most of them have remained. Learned today confidentially that Chilean Consul General will leave. Peruvian authorities have urged people be quiet and abstain from all hostile demonstrations with good results.

Italian Minister at Lima suggested to his Government propriety admonishing Chile against violence towards Peru.

MCMILLIN

704.2523 : Telegram

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

SANTIAGO, November 28, 1918, 4 p.m.

[Received November 29, 1.20 a.m.]

Minister of Foreign Affairs requested me today to ask that United States consular officers in Peru be placed in charge of Chilean consular interests. Instructions desired. Strongly urge that this be done if consistent with policy.

SHEA

723.2515/339 : Telegram

*The Chargé in Bolivia (Goold) to the Secretary of State*

LA PAZ, December 1, 1918, 5 p.m.

[Received December 2, 6.37 a.m.]

The Minister for Foreign Affairs informed me yesterday afternoon that it was the intention of the Bolivian Government to send a special embassy to Washington for the purpose of congratulating the Government of the United States upon the outcome of the war and for the purpose of presenting the case of Bolivia for the acquisition of a port. He stated that the case of Bolivia was precisely like that of Servia; that it was necessary for the country to occupy a position that would enable it to communicate and carry on commerce with the outside world without having to obtain the consent

of another country. He stated that there was a very considerable body of opinion in Chile in favor of the cession of Arica to Bolivia, and he claimed that a similar body of opinion existed in Peru, but that it was less articulate in Peru because of the Peruvian grievance against Chile on the subject of Arica. He pointed out that with Bolivia placed between Chile and Peru, the peace of this continent would be more secure than it has been for decades. He stated that the Bolivian Government is anxious to have the United States take the initiative in the settlement of the problem, either by making specific suggestions for the settlement to the countries involved, or by calling a conference of the three to be held under the presidency of the Secretary of State or other officer to [be designated?] by the President of the United States or by any other method deemed suitable by the Secretary [*United States*]. If under the rules to be adopted by the Congress of Versailles, nations other than those which have actually participated in the war are to be allowed to send representatives, it is the intention of the Bolivian Government to send delegates to said Congress, which delegates will bring to its attention the problem herein referred to, unless the United States has in the meantime taken steps looking toward its settlement. The Bolivian Government would prefer to have the proceedings for the settlement initiated and presided over by the United States.

I would like to know definitely whether the President is going to Versailles, and if so, when, and something concerning the probable duration of his absence from the United States, so that it can determine the destination and date of departure of the embassy herein before referred to.

GOULD

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723.2515/345a : Telegram

*The Acting Secretary of State to the Ambassador in Chile (Shea)*<sup>34</sup>

WASHINGTON, December 4, 1918, 6 p.m.

You are instructed to hand the following statement to the President of Chile:—"The President of the United States desires to inform your Excellency that the various incidents leading up to the severance of consular relations between the Republics of Chile and Peru have been viewed by the Government of the United States with the gravest apprehension. Any agitation tending to lessen the prospect for permanent peace throughout the world, particularly on the

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<sup>34</sup> The first four paragraphs, *mutatis mutandis*, Dec. 4, to the Minister in Peru (File No. 723.2515/345b).

eve of the convoking of the Peace Conference in Paris, in which it is confidently expected that steps will be taken to provide for an era of lasting peace among all peoples, would be disastrous, and those persons who had caused this condition would be charged with grave responsibility before the world for their actions.

The President of the United States feels it his duty to draw to the attention of the Governments of Chile and Peru the gravity of the present situation and to point out to these Governments the duty which they owe to the rest of the world and to mankind in general to take immediate steps to restrain popular agitation and to re-establish their peaceful relations.

That a satisfactory and peaceful solution of the matter in dispute between the two countries may be arrived at there can be no doubt and the Government of the United States stands ready to tender alone, or in conjunction with the other countries of this hemisphere, all possible assistance to bring about an equitable solution of the matter."

The foregoing has been handed to the President of Peru.

Your November 28, 4 p.m.

You may take occasion to say to the Minister of Foreign Affairs, after having presented the foregoing statement to the President of Chile, that the Government of the United States regrets most deeply that it cannot accede to the courteous request of the Government of Chile that American consular officers in Peru take charge of Chilean consular interests in that country for the reason that the very great interest which the United States has in the friendly settlement of the questions in dispute between two sister countries with both of whom it maintains most friendly and cordial relations, makes it advisable for the United States to maintain the most impartial attitude possible so that it may be of the utmost service to both parties.

POLK

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723.2515/351a : Telegram

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

WASHINGTON, December 4, 1918, 7 p.m.

You are instructed immediately to visit the Minister for Foreign Affairs and inform him that under the direct instructions of the President of the United States the following instructions have been sent to the American Ambassador in Santiago and to the American Minister in Lima:

[Here follow the first three paragraphs of the Department's telegram to the Ambassador in Chile, printed *supra*.]

You may inquire of the Government of the Argentine whether it has taken any steps to approach the Governments of Chile and Peru, counselling moderation in their actions. In case it has not done so, you may state that this Government trusts that the Government of Argentine will see its way clear to instruct its representatives in Santiago and Lima to advise the Chilean and Peruvian Foreign Offices respectively to pursue a policy of moderation and avoid any widening of the breach of the relations between Chile and Peru until a friendly settlement of the questions between the two countries may be arrived at.

POLK

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723.2515/345c: Telegram

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

WASHINGTON, December 4, 1918, 7 p.m.

You are instructed immediately to visit the Minister for Foreign Affairs and inform him that under the direct instructions of the President of the United States the following instructions have been sent to the American Ambassador in Santiago and to the American Minister in Lima:

[Here follow the first three paragraphs of the Department's telegram, December 4, to the Ambassador in Chile, printed on page 126.]

You may state that this Government trusts that the Government of Brazil will see its way clear to instruct its representatives in Santiago and Lima to advise the Chilean and Peruvian Foreign Offices respectively, to pursue a policy of moderation and avoid any widening of the breach of the relations between Chile and Peru until a friendly settlement of the questions between the two countries may be arrived at.

POLK

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723.2515/347: Telegram

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

BUENOS AIRES, December 5, 1918, 6 p.m.

[Received 9.50 p.m.]

Your December 4, 7 p.m. I saw the Minister for Foreign Affairs this afternoon and delivered to him a copy of the note as instructed. I went over it very carefully with him and he read it aloud again himself asking me the exact meaning of one or two words and promised to go at once to the President with it. I then asked him

whether the Argentine Government had yet taken any action of a similar nature in the Chilean-Peruvian dispute and he said that it had not. He then very earnestly stated to me that he wished, on behalf of the present Government of Argentina, to make the promise that they would never make any intervention in American affairs without advising us at the same time or previously. Then asked him whether the Argentine Government would not instruct its diplomatic representatives at Santiago and Lima to urge moderation on the Chilean and Peruvian Governments in some such manner as the United States had done. I pointed out to him that such identical action would show to the world what he is very anxious to demonstrate namely that the Argentine Government is in close and intimate relations with that of the United States and this argument seemed to impress him very seriously. He assured me that he would go to the President at once with this suggestion.

STIMSON

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723.2515/361a : Circular telegram

*The Acting Secretary of State to the Ministers in Colombia, Ecuador, Paraguay, and Uruguay*

WASHINGTON, December 6, 1918, noon.

You are instructed immediately to visit the Minister for Foreign Affairs and inform him that under the direct instructions of the President of the United States the following instructions have been sent to the American Ambassador in Santiago and to the American Minister in Lima: "You are instructed to hand the following statement to the President of the country to which you are accredited.

[Here follows the statement embodied in the first three paragraphs of the Department's telegram, December 4, to the Ambassador in Chile, printed on page 126.] "

You may inquire of the Government to which you are accredited whether it has taken any steps to approach the Governments of Chile and Peru, counselling moderation in their actions. In case it has not done so, you may state that this Government trusts that the Government to which you are accredited will see its way clear to instruct its representatives in Santiago and Lima to advise the Chilean and Peruvian Foreign Offices respectively to pursue a policy of moderation and avoid any widening of the breach of the relations between Chile and Peru until a friendly settlement of the questions between the two countries may be arrived at.

POLK



723.2515/349 : Telegram

*The Minister in Peru (McMillin) to the Acting Secretary of State*

LIMA, December 6, 1918, 4 p.m.

[Received midnight.]

Strictly confidential. Department's December 4, 6.00 p.m.<sup>35</sup> President Pardo received statement of President Wilson with evident pleasure and satisfaction. He believes publication of statement would have most beneficial effect and desires to know if there is any objection to it being given to Peruvian press. Please expedite reply.

McMILLIN

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723.2515/355 : Telegram

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

BUENOS AIRES, December 7, 1918, 4 p.m.

[Received 8.45 p.m.]

My telegram of December 5, 6 p.m. The Minister for Foreign Affairs called me to see him yesterday afternoon to say that the President was very favorably impressed with the action of the United States but desired to see me personally regarding the matter. I saw him accordingly today in the presence of the Minister of Foreign Affairs who stayed at my request throughout the interview. The President said that he wished me to inform my Government that he was prepared to follow the lead of the United States in this matter as in all others tending to the permanent peace and welfare of the Americas and asked that this response be transmitted if possible to President Wilson himself by wireless. He stated further that he will have sent this afternoon to the Argentine Ministers at Santiago and Lima a message destined for the Presidents of Chile and Peru respectively similar [to] or substantially identical with that of the United States quoted in the Department's December 4, 7 p.m.

The Minister of Foreign Affairs then remarked that as the Argentine Government had acceded to the suggestion of the United States there could be no objection to making the matter public for its effect on the public opinion of South America and in publishing the fact that the action of Argentine was taken at the suggestion of the United States. I demurred somewhat at this, urging that the effect upon Chile at least might be greater if the action seemed to originate with the Argentine Government, but both the President and the Minister of Foreign Affairs replied that they believed on the

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<sup>35</sup> See footnote 34, p. 126.

contrary that the fact that they referred to the United States note would be an even stronger indication that the Argentine Government was in close accord with the United States in this matter and that they had little doubt that the outcome would be favorable.

I urged upon the Minister of Foreign Affairs in particular that in phrasing the paragraph in their note offering the good offices of the Argentine Republic, the Argentine Government should copy exactly that phrase as used in the note addressed by the United States to Chile and Peru namely "Alone or in conjunction with other Governments of this hemisphere" and it was understood that this should be done the idea being, I understood, to send a note practically identical *mutatis mutandis* with that of the United States.

The manner of the President was most cordial; he seemed to be overjoyed at taking action in conjunction with the United States in what he termed "such an epochal moment in history for the Western Hemisphere."

STIMSON

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723.2515/349 : Telegram

*The Acting Secretary of State to the Minister in Peru (McMillin)*

WASHINGTON, December 8, 1918, 3 p.m.

Your December 6, 4 p.m.

Department has no objection to publication of statement.

Department is also informing Chilean Foreign Office that should they desire to publish statement they received Department would have no objection.

POLK

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723.2515/349 : Telegram

*The Acting Secretary of State to the Ambassador in Chile (Shea)*

WASHINGTON, December 8, 1918, 3 p.m.

You are directed to call upon the Minister for Foreign Affairs immediately and inform him that the Minister for Foreign Affairs of Peru has asked the Government of the United States if it had any objection to the publication of the statement communicated to the Presidents of Chile and Peru by the United States. That the Department has instructed the American Minister at Lima to advise the Government of Peru that there was no objection on the part of the Government of the United States to its publication and was so advising the Government of Chile in order that that Government could take the same step if it so desired.

POLK

723.2515/355: Telegram

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

WASHINGTON, December 8, 1918, 3 p.m.

Your December 7, 4 p.m. Cables similar to Department's December 4, 7 p.m. to you were sent at same time or shortly afterwards to Embassy Rio de Janeiro, Legations Bogota, La Paz,<sup>35</sup> Quito, Montevideo and Asuncion. In order to avoid any possible misunderstanding on the part of the Government of Argentine in this connection, you will seek earliest opportunity to inform the Minister for Foreign Affairs that you understand that various South American countries to which the same statement was sent, have accorded it a very favorable reception. If he inquires to which countries the statement was sent you may inform him. Department considers it advisable that you inform the Minister for Foreign Affairs that the occasion for your visit to him is your desire to express to him, on the part of the Government of the United States, its sincere appreciation of the action of the Government of the Argentine in counselling moderation. You may also inform him that the President has been advised by wireless, as requested.

POLK

723.2515/440

*The Peruvian Legation to the Department of State*

## MEMORANDUM

WASHINGTON, December 9, 1918.

The Minister of Peru is instructed to advise The Honourable The Secretary of State that the Government of Peru accepts the mediation of the President of the United States, and that the President of Peru will shortly communicate this acceptance by cable<sup>36</sup> in reply to the message of the President of the United States.

The Government of Peru, however, does not desire that the mediation should assume the character of an American Continental mediation.

It has accepted the mediation of the President of the United States, because the Government of Peru considers the President of the United States to be the initiator and the supporter of those principles which are to be asserted at the general Peace Conference.

<sup>35</sup> The Department files show no record of a telegram having been sent to the Legation in Bolivia.

<sup>36</sup> Not printed.

723.2515/358 : Telegram

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

BUENOS AIRES, December 9, 1918, 2 p.m.

[Received 8.30 p.m.]

Your December 8th, 3 p.m. I called upon the Minister of Foreign Affairs this morning and conveyed to him the contents of the Department's instruction. He made no comment thereon and merely expressed his gratitude for the Department's message. Upon the occasion of my original interview with him concerning this affair on December 5, the Minister had asked me whether the communication made to the Argentine Government had been addressed to other countries as well and I replied that I was not informed; this morning, however, when I advised him that other South American countries had received similar communications from the United States he expressed no surprise and made no inquiry as to which countries they were.

In conversation it appeared that the Minister was of the opinion that it would be advisable for the United States and the Argentine Republic to propose mediation conjointly with one other South American nation, preferably one near by, presumably meaning either Brazil or Uruguay, but he was opposed to the idea of a general council of South American Republics on the ground that such a council would be too cumbrous. He further added that the Argentine Government could not propose or suggest which countries should intervene in the event that arbitration were agreed to, but that they would rather have to be selected by Chile and Peru and he was of the opinion that submission of the matter to arbitration will be far more readily agreed to [by] Peru than by Chile.

The Minister for Foreign Affairs assured me that his Government had acted exactly in the manner outlined in my telegram of December 7, 4 p.m., that is to say, informing the Argentine diplomatic representatives at Santiago and Lima that the Argentine Government had been requested by the United States to do what they could to counsel moderation in the conflict threatened; that the Argentine Government was glad to follow the suggestion of the United States in this matter and to offer to that end the good offices of Argentina if they were desired. He gave me to understand that the note of the Argentine Government to Chile and Peru is almost identical with that of [the United States].

The Peruvian Charge d'Affaires called upon me yesterday afternoon by instruction of his Government to express their thanks for the Embassy's action in this matter.

STIMSON

723.2515/359 : Telegram

*The Ambassador in Chile (Shea) to the Acting Secretary of State*

SANTIAGO, December 9, 1918, 4 p.m.

[Received December 10, 5.34 a.m.]

Following reply of President of Chile to telegram of President Wilson December 4, 6 p.m.

"The President of Chile has received the most friendly declaration of His Excellency President Wilson which informs him of the apprehension with which the United States Government has viewed the various incidents which have resulted in the suspension of consular relations between the Republics of Chile and Peru. It is his duty to state in reply that said incidents have not altered for one moment the serenity with which the Government of Chile has considered these events which in some form or other might produce inquietude in its international relations.

His Excellency the President of the United States judiciously considers that any agitation which might disturb the prospects of world peace would be disastrous; in that the Peace Conference soon to be convoked in Paris will take under consideration the establishment of an era of the permanent peace among all people, and points out the grave responsibility that would be incurred before the world by those who [caused] such agitation.

The President of Chile takes the opportunity to state on this occasion that the Chilean people, for the past 35 years happily at [peace] with all nations have devoted all their energies to the establishment of their prosperity and well being and have justly settled all differences with their neighbors, and now most fervently desire to work for a definite peace among all peoples, a peace such as will be established by the Peace Conference of Paris.

His Excellency President Wilson calls the attention of the Governments of Chile and Peru to the obligation which they have to the rest of the world and to humanity relative to the maintenance of their peaceful relations.

The President of Chile is in accord with such an elevated concept, and can say that his Government has always done its best to disregard any event that might alter without reason the good relations which it has maintained and cultivated with all peoples, and more especially with the different countries of the American continent.

The message of His Excellency the President of the United States terminates by affirming his belief in the peaceful solution of the existing differences and manifests at the same time his readiness to offer alone or conjointly with other countries of this hemisphere every possible assistance to secure an equitable solution of the question.

The President of Chile is thankful for and is pleased with the most friendly sentiments of the Government of the United States, and trusts that the misunderstandings which Chile has with Peru, and which it has always tried to settle, will be definitely solved in conformity with the precepts of the treaty of Ancon which governs the relations between the two countries, and to the fulfillment of which the faith of the nation is bound."

The Argentine Minister has just informed me that he was directed by his Government to offer mediation in conjunction with the United States, but was informed by the President of Chile that the United States had not offered mediation but assistance only. The Minister for Foreign Affairs insists that there is a difference between assistance and mediation or good offices. The Minister for Foreign Affairs assures me that a settlement will result from the present negotiations.

SHEA

723.2515/417

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

[Extract]

No. 392

ASUNCION, December 10, 1918.

[Received January 22, 1919.]

SIR: In confirmation of my cablegram of this date,<sup>36</sup> the same in compliance with the Department's cabled instruction of December 6, 12 noon, which, however, was not received at this Legation until December 9th at 3 P. M., I have the honor to report that I called on Dr. Eusebio Ayala, Paraguayan Minister for Foreign Affairs, relative thereto on the morning of December 10th and had a long conversation with him on the subject.

Dr. Ayala told me that, particularly at this time, the Paraguayan Government was especially anxious to see a strict maintenance of friendly relations between the Republics of South America and he knew of no manner better calculated to effect that desideratum than to instruct the Paraguayan representative accredited to these countries to act in concert with the American diplomatic representatives accredited to Chile and Peru in their efforts to prevent a breach of the peace between them. He assured me that such instructions would be sent to Dr. Fulgencio R. Moreno, the Paraguayan Envoy Extraordinary and Minister Plenipotentiary accredited to Bolivia, Chile, and Peru. Dr. Moreno is now at La Paz devoting his principal attention to the solution of the boundary controversy between Bolivia and Paraguay.

Dr. Ayala stated it as his opinion that much benefit might be derived from the convocation of a Pan American Congress, the same to convene either presently or at an early more opportune date, to formulate, in so far as possible, rules and principles for the adjustment of all matters of controversy, more or less acute in their nature, between the various South American Republics, among which he mentioned the boundary dispute between Bolivia, Chile and Peru; the question in issue as to River Plate rights, the same also involving

<sup>36</sup> Not printed.

title to a mid river island between Argentina and Uruguay; the boundary dispute between Bolivia and Paraguay, and similar or resembling questions between the Republics in the northern part of South America. It was also his opinion, very delicately expressed, that when a real sentiment for such a Congress was created, the influence of the United States therein would be most potent, if, in fact, not nearly or quite determining, but that the initiative therefor should be taken by one of the Republics having a question for submission, as the same would protect the United States from any suspicion of voluntary or officious action.

I have [etc.]

DANIEL F. MOONEY

723.2515/362 : Telegram

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

QUITO, December 10, 1918, 3 p.m.

[Received December 11, 2.47 p.m.]

Department's December 6th, 12 a.m. complied with today. The Minister for Foreign Affairs informed me that Ecuadorean Government is not ready at present to instruct its representatives at Santiago and Lima but is waiting for further information which is expected in a few days. Boundary dispute with Peru assigned as reason for present attitude.

HARTMAN

723.2515/361 : Telegram

*The Ambassador in Chile (Shea) to the Acting Secretary of State*

SANTIAGO, December 10, 1918, 5 p.m.

[Received December 11, 12.16 a.m.]

I called informally this afternoon upon the Minister of Foreign Affairs to present Mr. Robbins<sup>37</sup> and incidentally asked him whether he had anything further to say to me regarding the Tacna and Arica situation. Department's December 4, 6 p.m., my December 9, 4 p.m. The Minister for Foreign Affairs immediately replied that he had nothing new to say except that the Minister of Argentina had called on him and advised him that he was in receipt of a communication from his Government directing him as already reported in my December 9, 4 p.m. to offer mediation in conjunction with the United States.

He stated then confidentially that the term mediation surprised him in as much as no such expression was used in my memorandum

<sup>37</sup> Warren D. Robbins, assigned as Secretary of the Embassy, Dec. 2.

and it would appear reasonable that the memorandum of the American Ambassador to Argentina would not have been based on any instructions stronger than the ones given by the Department to me.

I have therefore taken the liberty of requesting the Embassy at Buenos Aires to forward me a copy of its memorandum to the Foreign Office on this subject and should also appreciate instructions I mentioned. I shall not express myself on this point unless authorized by the Department.

SHEA

723.2515/363 : Telegram

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

BUENOS AIRES, December 11, 1918, 1 p.m.

[Received 2.02 p.m.]

My December 7th, 4 p.m. The Chilean Minister here showed me yesterday a copy of the reply of his Government to the United States acknowledging the latter's offer of good offices in the Chile-Peru dispute. He showed me also confidentially his instructions as to the offer to mediate, conjointly with the United States, on the part of Argentine. It appears from these instructions that the Argentine Government instructed its Minister at Santiago to offer at once such mediation. The Chilean Government has now instructed the Minister here that this is a step farther than the United States Government either authorized or invited.

In my conversation with the President on December 7th, as the Department was informed in the cable above referred to, I merely handed him a paraphrase of my instructions as [contained in] the Department's December 4th, 7 p.m. I had previously urged upon the Minister of Foreign Affairs the advisability of acting at the present time in accordance with the United States in the manner suggested in my instructions, but the term "mediation" was never employed in any of my interviews concerning this matter.

STIMSON

723.2515/367 : Telegram

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

BUENOS AIRES, December 12, 1918, 3 p.m.

[Received December 14 (?), 1.12 a.m.]

My December 11, 1 p.m. The Minister of Foreign Affairs has read to me this morning the note of the Chilean Government to Argentina, replying to its offer of good offices. It is the same as



that contained in the instructions shown to me previously by the Chilean Minister.

The Chilean Government in its reply by mail claims that the offer of Argentina exceeded that of the United States in two points: First, that it made a present and actual proffer of services, not a statement to the effect that the Government stood ready to offer its services, and, second, that it offered mediation instead of good offices.

Doctor Pueyrredon assures me that this is not the case; that the term good offices and not the term mediation was used by him and that there consequently has been either a mistranslation of his cable or a misunderstanding and to prove this he read to me his actual telegram showing me that it was identical in terminology with the note of President Wilson to Chile and Peru.

The Chilean note further asks what the precise scope of the discussion is to be in the event that it should be entered upon. It is evident that the Chilean Government, as the newspapers state, would like to try to limit Argentina's offer merely to the recent disturbances in Iquique and the other towns and under any circumstances to the treaty of Ancon and its interpretation and durability. The Minister stated that he agreed with what he supposed were the views of the United States Government, namely, that this was not sufficient and that the root of this cancer which has so long menaced South America must be cut out. . . .

The Minister for Foreign Affairs desires to delay his answer to Chile until I receive further instructions from the Department, as to the scope which the United States believes should be given to the discussion, and as to the method of common action, whether by the offer of good offices, actual mediation or otherwise. He informed me this morning that the Argentine Government is simply desirous of approval [of] the United States in this entire matter and gave me to understand that he had said as much to the Chilean Minister.

STIMSON

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723.2515/361 : Telegram

*The Acting Secretary of State to the Ambassador in Chile (Shea)*

WASHINGTON, December 12, 1918, 4 p.m.

Your December 10, 5 p.m.

Confidential: A copy of President's statement as set forth in Department's December 4, 6 p.m. was given the Argentine Foreign Office. Ambassador Stimson was instructed at the same time that he presented the statement to inquire of the Argentine Government whether it had taken any steps to approach the Governments of Chile and Peru, counselling moderation in their actions and in case it had

not done so to state that the Government of the United States trusted that the Government of Argentine would see its way clear to instruct its representatives in Santiago and Lima to advise the Chilean and Peruvian Foreign Offices respectively to pursue a policy of moderation and avoid any widening of the breach of relations between Chile and Peru until a friendly settlement of the questions between the two countries might be arrived at.

Do not quote the Department's instructions to Ambassador Stimson to the Chilean Foreign Office but intimate to the Foreign Office that you understand that the term "mediation" was not used by the United States Government in its communication to the Argentine Government.

For your confidential information:

Instructions similar to those sent Ambassador Stimson were sent to the American Embassy Rio, and the American Legations at Montevideo, Bogota, Asuncion, and Quito.

POLK

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723.2515/368 : Telegram

*The Ambassador in Chile (Shea) to the Acting Secretary of State*

SANTIAGO, December 12, 1918, 4 p.m.

[Received December 13.]

The Under Secretary of Foreign Affairs has just called upon me to inform me that Minister of Foreign Affairs has been requested by the Chamber to explain the situation as regards the offer of the United States to help in any possible way the Government[s] [of] Chile and Peru in the present situation. He also stated that the Chilean Foreign Office is in receipt of a telegram from its representative in Peru, stating that Peru has received a note from the United States similar to the one received by the Government of Chile.

There therefore remains an explanation from the Chilean representative in Argentina as regards the term "mediation" used by the Argentine Minister here and referred to in my December 10, 5 p.m. He also requested, on the part of the Minister of Foreign Affairs, permission to read the text of my note to the Foreign Office based upon the Department's instruction December 6 [4], 6 p.m. I immediately acceded to this request and the publication will appear in to-morrow's papers.

It would seem therefore that the Government of Chile is simply delaying its action and acceptance until some explanation comes from Argentina.

The attitude of the Under Secretary of Foreign Affairs was exceedingly friendly, and I thought encouraging, and I am inclined

to think that the only thing that has possibly caused distrust here has been the term "mediation" used by the Argentine Minister. I do not think any thing more definite can be reported until some explanation is given to the term referred to, and it seems to me that if such an explanation is not given very shortly it would be wise to publish here the text of the memorandum handed in by Ambassador Stimson to the Argentine Foreign Office, the substance of which he has telegraphed me and which corresponds to substance of mine.

SHEA

723.2515/376 : Telegram

*The Ambassador in Chile (Shea) to the Acting Secretary of State*

SANTIAGO, December 15, 1918, 8 p.m.

[Received December 16, 9.08 a.m.]

The Minister for Foreign Affairs, in addressing the Chamber on the evening of December 13, made a full statement regarding the action of the Government of the United States in the recent Tacna situation. The statement, which was an historical *résumé* of the Tacna affair, again mentioned the notes exchanged between this Embassy and the Minister of Foreign Affairs, my December 12, 4 p.m.

The Minister for Foreign Affairs, in commenting on the friendly offer of the United States, stated that the Government of the United States had made use of a means which was consistent with its diplomacy and which was calculated to dispel any feeling of mistrust which might have arisen. He added that though the United States had communicated to its chancelleries in South America it had never suggested anything more than the giving of assistance, and had never used the term mediation.

Robbins called late yesterday afternoon on the Under Secretary of State for Foreign Affairs and was informed by him that a telegram was to be sent to the Chilean Ambassador in Washington, giving an explanation of the interpellation referred to. The Under Secretary stated that the general impression made upon the Government officials and the people in general by the recent action of the United States was exceedingly favorable. It appears that the speech read by the Minister of Foreign Affairs was greeted with great applause.

The text of the telegram to Ambassador Mathieu was published in this morning's papers. The translation is as follows:

In the Chamber of Deputies yesterday, I called attention to the attitude in which the friendly offer of the Government of the United States had been received. I recalled the fact that the impartial help of that Government had been a factor, on various occasions, in the definite solution of our American problems. I cited especially the

precedent of the friendly help given at the time of the Argentine boundary question of 1881, the impartial help in the conference of Arica and friendly actions of Kilpatrick and Logan. I reminded them at the same time of the consistent [doctrine] of the United States with regard to all nations and its traditional policy of not interfering in the affairs of other countries except upon the request of these countries.

I finished the speech by reading your telegram of yesterday which I received as I was about to enter the session. On learning the contents of this, there was a spontaneous manifestation of approval and sympathy for the people and Government of the United States. The entire country, as I had the opportunity to inform the Chamber, should feel today a genuine satisfaction in having received the solemn confirmation that it can depend upon the rectitude, justice and firm friendship of the United States.

I am receiving at this moment definite signs from American residents in this country, men who represent great interests and who are here to increase the natural resources of our country and to aid in improving the banking situation and increase our commerce with the United States.

The Minister notes with pleasure your opportune action and begs that you will at the first opportunity inform His Excellency, the Secretary of State, of the notable manifestation of friendly sentiments evidenced by the people of Chile, its legislative Chamber, and very especially by this Chancellery. Signed Luis Barros Borgoño.

SHEA

723.2515/365

*The Acting Secretary of State to the Peruvian Minister (Freyre)*

No. 234

WASHINGTON, December 19, 1918.

SIR: I have the honor to acknowledge the receipt of your note of December 10,<sup>88</sup> transmitting the telegram of December 9, in which the President of Peru replies to the statement of the President of the United States regarding the difference between Peru and Chile, which was conveyed to the President of Peru by the American Minister in Lima.

In reply it affords me pleasure to inform you that President Pardo's message was telegraphed to the President on December 11.

In order to remove the possibility of a misapprehension I desire to point out that the statement made by the American Minister in Lima on behalf of the President to President Pardo did not include an offer of mediation, but was only the offer of the President to use his good offices in the solution of the difficulties existing between Peru and Chile.

Accept [etc.]

FRANK L. POLK

<sup>88</sup> Not printed.

723.2515/380c : Telegram

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

WASHINGTON, December 21, 1918, 4 p.m.

What answer, if any, has Government of Brazil made to representations presented by you as directed in Department's December 4, 7 p.m.

POLK

723.2515/384 : Telegram

*The Ambassador in Brazil (Morgan) to the Secretary of State*

RIO DE JANEIRO, December 23, 1918, 12 noon.

[Received 3.57 p.m.]

Statement of President handed to Da Gama the day Embassy received it. Before receipt of message Minister had taken steps along line which your December 4th, 7 p.m. suggested.

MORGAN

723.2515/403 : Telegram

*The Minister in Peru (McMillin) to the Acting Secretary of State*

LIMA, January 13, 1919, 10 a.m.

[Received 9.35 p.m.]

Strictly confidential. The Minister for Foreign Affairs informs us that Uruguay had tendered Peru good offices for direct settlement with Chile. He replied Peru had already accepted good offices of the United States and on account of recent events Peru could not have direct negotiations with Chile.

He also said that the Italian Minister here had asked whether Peru would settle controversy for a monetary consideration. He replied emphatically in the negative.

He said that his own personal opinion was that a return of the Provinces Tacna, Arica might be a satisfactory settlement but this was not the sentiment of the people or the Government.

He was much worried over the continued expulsion Peruvians, as question of their support and relief was becoming serious for Peru. The Legation has taken statements of three native American citizens and one British subject concerning mistreatment and expulsion Peruvians from the disputed territory. Will send by mail unless otherwise instructed.

McMILLIN

723.2515/405 : Telegram

*The Chargé in Ecuador (Belt) to the Acting Secretary of State*

QUITO, January 14, 1919, 2 p.m.

[Received January 15 (?), 8.20 a.m.]

Department's December 6, noon,<sup>39</sup> and Legation's December 10, 3 p.m.<sup>40</sup> I took occasion yesterday to inquire of Minister for Foreign Affairs if his Government had instructed its representatives to Peru and Chile to approach the respective Foreign Offices, advocating a policy of moderation in the present dispute between those countries.

The Minister replied that he prefers to still reserve his attitude due to the delicate relations between Ecuador and Peru over their boundary dispute and principally for the reason of the recent statement of the Minister for Foreign Affairs of Peru, to the Ecuadorean Minister to Lima to the effect that Peru does not wish to discuss the Ecuadorean Peruvian boundary question. The Foreign Minister stated, however, that when the Ecuadorean Peruvian diplomatic relations were in some way modified he might later answer the suggestion of the Department of State.

Belt

723.2515/414 : Telegram

*The Minister in Uruguay (Jeffery) to the Acting Secretary of State*

MONTEVIDEO, January 20, 1919, 5 p.m.

[Received January 21, 7.30 a.m.]

Replying Department's confidential communication January 18, 5 p.m.<sup>41</sup> Uruguayan Minister for Foreign Affairs told me today that the Uruguayan Government having the impression that Chile would favor direct negotiation with Peru in settlement of differences, proposed to the two Governments that Uruguay would act as intermediary for the purpose, transmitting from one to the other the exact propositions and counter propositions to be considered in arriving at settlement; that Peru had answered saying that inasmuch as that Government had already accepted good offices of the United States it could not accept Uruguayan offer. Minister says that as yet no reply has been received from offer made to Chile and that Chilean Minister has [not?] been at Foreign Office for more than 15 days. Minister says this is all the connection his Government has had with the matter.

JEFFERY

<sup>39</sup> *Ante*, p. 129.<sup>40</sup> *Ante*, p. 136.<sup>41</sup> Not printed.

Special Investigation of Incidents in the Disputed Provinces by the United States Consul at La Paz—Projects for a Settlement of the Dispute by Compromise or by Arbitration

723.2515/395a : Telegram

*The Acting Secretary of State to the Consul at La Paz (Hazeltine)*

WASHINGTON, January 2, 1919, 6 p.m.

You are instructed to proceed immediately to Arica for the purpose of confidentially investigating and cabling the Department a report on the present treatment of Peruvians by the local Chilean authorities. After making such a report you are directed to proceed to Iquique and to cable Department a similar report from that place. While in Iquique you will also investigate the recent departure of the Peruvian Consul, with a view to ascertaining whether or not it was voluntary. In both of these places you will state that the purpose of your visit is merely to confer with the American Consular Agents.

You are instructed to take your code with you in order that your reports on the above subject may be made in cipher.

Remain in Iquique until you are instructed to return to La Paz.  
POLK

723.2515/406 : Telegram

*The Consul at La Paz (Hazeltine), Temporarily at Arica, to the Acting Secretary of State*

ARICA, January 15, 1919, noon.

[Received January 16, 9.29 a.m.]

In reply to Department's telegram January 3 [2], 6 p.m. I have completed investigations in Tacna Arica, mob violence against Peruvian [citizens] and property verified absolutely. Situation arose after signing of the armistice. Nine thousand Peruvians telegraphed to Peruvian President requesting him to congratulate Ministers of all Allied Powers on their victory. The telegram mentioned oppressed small nations in general.

Arica mobs wrecked houses of Peruvians December 21, 8 p.m., and again December 22, 5 p.m. Nearly all Peruvians residing in Tacna Arica have been warned to leave under duress; virtual reign of terror exists for them. It is reported that all Peruvian people living in Azapa Valley will be forced to leave at an early date abandoning farms which they have cultivated for a long time. I will telegraph further developments.

Forced expulsion is carried out by the Liga Patriotica headed by Manuel Araya, President, who is employee of the Arica-La Paz

Railway, Francisco Lope Handia, wharf master, vice president, Joaquin Diaz, customs inspector, and others. In some instances typewritten warnings specifying time limit are sent but frequently victims are taken by force without warning, assaulted, robbed, and deported without funds, farewell or families. Typewritten warnings have been traced to the office of the Arica-La Paz Railway of which Vice-Governor of this Province is now acting manager.

I investigated several cases thoroughly. The following is typical: Manuel Lecunza, a Peruvian citizen who has been telegraph operator employee of the West Coast Cable Company in Arica 18 years seized by party of workmen led by Joaquin Diaz January 8. He was brutally assaulted, robbed and put aboard British steamship *Peru*. He was not permitted to adjust business interests, his wife was left in Arica. On the same day, a Peruvian citizen was taken from our consular agency while transacting business. Energetic interference by the American consular agent accomplished a release. Numerous similar cases in Arica and Tacna.

The local authorities to all intents and purposes tacitly approve the methods and the actions of the Liga Patriotica. Prompt action should be taken to avoid more serious situation. Foreign residents are unanimous in their indignation on account of the unfair treatment of Peruvians.

I am reliably informed local conditions in general in Arica by no means warrant wholesale deportation.

Feelings attributable antipathy and politics and will make plebiscite provided for by article 3, treaty of Ancon, a farce. I will arrive in Iquique next Saturday.

HAZELTINE

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723.2515/442

*The British Chargé (Barclay) to the Acting Secretary of State*

No. 56

MEMORANDUM

His Majesty's Chargé d'Affaires presents his compliments to the Acting Secretary of State and has the honour to inform him, by direction of His Majesty's Government that certain proposals for a settlement of the Tacna Arica question have been put forward by His Majesty's Representative at La Paz, which may be summarized as follows:

If Chile will agree to abandon the schemes of territorial expansion which are understood to aim at operations in Bolivia by means of the Arica Antofagasta Railways and if she will agree to cede Tacna and Arica to Peru (after a preliminary understanding between Chile and Bolivia) it should not be impossible for Peru to



offer equivalent compensation to Chile which might take the form of a Commercial Treaty favourable to Chile.

If Chile received a guarantee that Bolivia and not Peru would finally hold the two provinces, she might cede them. There will be a further stipulation by which Peru would cede the two provinces to Bolivia against suitable financial compensation and a transfer to [*from?*] Bolivia of territory east of Lake Titicaca.

Chile would be compensated by Bolivia for the cost of the Arica-La Paz Railway, which would pass entirely under the control of Bolivia.

Chile would gain under such an arrangement inasmuch as Antofagasta and Tarapaca would be definitely secured to her, while she would have nothing to fear from Bolivia at Arica. For similar reasons Peru would establish a permanent claim on Bolivian gratitude and obtain valuable territory near Lake Titicaca. The satisfaction of her national aspirations would be a gain to Bolivia.

In putting forward these suggestions it is pointed out by His Majesty's Representative at La Paz:

- (1) That there is never likely to be a satisfactory solution of the Tacna Arica question unless the three States concerned are parties to it.
- (2) That an arrangement is not likely to be come to by the three States unless the Allied Powers initiate negotiations and carry them on under their supervision.

In the opinion of His Majesty's Government these proposals appear to have much in their favour and His Majesty's Chargé d'Affaires is therefore directed to express the hope that His Majesty's Government may be favoured at an early date with the views of the United States Government with respect to them.<sup>42</sup>

WASHINGTON, *January 20, 1919.*

723.2515/508

*The Bolivian Minister (Caldron) to the Acting Secretary of State*

CONFIDENTIAL MEMORANDUM <sup>43</sup>

WASHINGTON, *January 21, 1919.*

SIR: As your Excellency is aware, the question between Perú and Chile over the possession of the territories of Tacna and Arica has lately become acute, threatening to disturb the peace of the Continent.

<sup>42</sup> Receipt of this memorandum was simply acknowledged, Feb. 13.

<sup>43</sup> Text received in English.

It is then but natural that the United States, following its traditional policy of friendly interest in the welfare and harmony of the American republics, should think of offering its good offices in the actual conflict.

The vital interest of Bolivia in its just and right settlement prompted me to present to your Excellency's Government this Memorandum as an advanced exposition of the right that Bolivia claims to be heard.

Bolivia's interest in Tacna and Arica is by no means a new thing; it could be stated with truth that it was recognized from the first days of its independence, even by the inhabitants of those territories.

When Chile and Perú signed in 1883 a treaty of peace by which the former acquired the absolute cession of Tarapacá and the temporary occupation of Tacna and Arica; Bolivia was not, as it should have been, called to take part in that treaty and therefore was deprived of the opportunity of making known that it was by no means willing to be deprived of all its sea coast, virtually ceded to Chile by the cession of Tarapacá.

Bolivia signed almost a year after, in 1884, a simple treaty of truce with Chile, and on doing so its plenipotentiaries made the express declaration that Bolivia could not, and would not resign itself to remain shut off from the Pacific.

Chile in its endeavour to legalize the possession of the Bolivian coast signed in 1895 a treaty agreeing to give to Bolivia Tacna and Arica in case the plebiscit that was to decide the nationality of these territories favored Chile; but neither the plebiscite nor the treaty referred to, took place.

When at last, in 1904, Bolivia was obliged to sign a treaty of peace with Chile, after more than twenty years since the end of the war, one of the obligations contracted by Chile was the building of a railway from Arica to La Paz with the proviso that fifteen years after the completion of the work the section built in the Bolivian territory would become Bolivia's property.

When señor Montes passed by Chile on his way to assume the Presidency of Bolivia, in 1913, he expressly declared to a number of important public men of Chile that Bolivia must have a port to communicate freely with the world.

It is then clear that ever since Chile took all the coast of Bolivia, this nation have never ceased to express its absolute need of a port. As the only available one, without disturbing peace and the existing conditions is Arica; Bolivia claims that its possession is absolutely necessary.

When the time will come to make a more extended and formal demand for the possession of Tacna and Arica it will be shown that these territories have been in fact bolivian commercial centres, owing their growth and development to Bolivia's trade, in fact Tacna deprived of it has become a dead town. It will be easy to prove that neither Perú nor Chile have any real interest in Tacna and Arica; and that its transfer to Bolivia by a peaceful agreement between the three nations will solve a problem of continental importance.

A growing and rich nation like Bolivia cannot be shut off from the world forever without being some time compelled to find the outlet, that now could be secured peacefully and thus insure the friendly relations amongst all concerned.

I have anticipated these few remarks in the hope that in view of them, Your Excellency will see that Bolivia's interest in the proper solution of the question is paramount and must be considered.

I remain [etc.]

I. CALDERON

723.2515/441

*Memorandum of the Acting Secretary of State*

[WASHINGTON,] *January 23, 1919.*

The Peruvian Minister called and discussed at length the Peruvian-Chilean difficulties. He gave me the attached note,<sup>48</sup> which in effect states they will present this demand at the Peace Conference for a settlement of the Chilean-Peruvian difficulties.

I had a very frank talk with the Minister and told him I thought it would be bad policy to present that note now to the Peace Conference; I thought it was sufficient to hand them [*it*] to us so we would know what their intentions were if the question could not be settled in some other way. . . .

I told him we could take the position that this was a question that should be settled by the Pan American powers, and then if we found they could not, it would be time enough for his Government to appeal to the Peace Conference. He seemed to be impressed with the suggestion, and said he would ask his Government not to present the matter to the Peace Conference yet.

F. L. P[OLK]

<sup>48</sup> Not printed.

723.2515/419 : Telegram

*The Consul at La Paz (Hazeltine), Temporarily at Iquique, to the Acting Secretary of State*

IQUIQUE, January 24, 1919, 3 p.m.

[Received 4.53 p.m.]

Continuation of January 15, 12 noon.<sup>44</sup>

Mob violence occurred at Pisagua, November 21st and in Iquique November 23rd. Loss of property has not been determined but believed to be more than hundred thousand dollars. Residence[s] and also business places were smashed and looted by the mobs.

November 24, 10 a.m., Santiago Llosa, Peruvian Consul, Dean of the Consular Corps in Iquique, was taken from the Consulate in an automobile by five armed Chileans, who forced him to go aboard Chilean vessel *Palena*, sailing for Peruvian ports that day. His wife, children and consular archives were left in charge of French Consul Le Lorrain. The Chileans involved are known to be Armando Silva, municipal treasurer; Luis Peralta, customs officer; Fermin Quinteros, retired army officer; Xavier Barahona, broker; and Munoz Valenzuela, lawyer.

Expulsion effected by the Liga Patriotica led by Hernandez, President; De C. Diaz, recorder; Secretary Peralta; Doctor Cruzat; Manuel Godoy and others aided by a band of 200 ruffians called Matones, the chief of which is Jorge Pavelich. To facilitate their efforts several scurrilous newspapers are published, listing names of Peruvians and threatening them. Verbal as well as printed warnings to leave are being sent.

Out of approximately 18,000 Peruvian people in the Province of Tarapaca about 7,000 have returned to Peru or else are waiting to sail as soon as possible; some have gone to Bolivia.

Pitiful scenes occur everyday at the Consulate of France when [where] hundreds men, women and children gather together begging relief and transportation, many of them hungry and in distress.

It is a fact that a critical condition confronts nitrate industry and that commercial affairs are not encouraging. Similar conditions are reported to exist in Antofagasta and vicinity. Foreign residents in general indignant at the methods employed and at apathy [in the] Chilean Government.

I await instructions.

HAZELTINE

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<sup>44</sup>Ante, p. 144.

723.2515/434

*Memorandum of the Acting Secretary of State*[WASHINGTON,] *January 25, 1919.*

Chilean Ambassador brought in Minister Edwards, Chilean Minister to London:

Discussed the Chilean-Peruvian matter. I impressed on them the necessity of having the matter disposed of. Told them I feared if they did not do it, it would be done at the Peace Conference. It was very evident Edwards wants to force a settlement, but would prefer to have England one of the arbitrators.

723.2515/430a : Telegram

*The Acting Secretary of State to the Ambassador in Chile (Shea)*WASHINGTON, *January 29, 1919, 4 p.m.*

Confidential. You will find a suitable occasion orally to bring to the attention of the Minister for Foreign Affairs the substance of the following report made by Hazeltine, American Consul in La Paz, who was sent by Department to investigate conditions in Arica and Iquique. Under no circumstances read it or give memorandum to Minister of Foreign Affairs. You may say that the Government of the United States feels that on account of its friendship for Chile, Chile would wish this Government to give to that country information in its possession, being convinced that the Chilean Government is unaware of the actual conditions.

[Here follows, with the omission of the first sentence, Consul Hazeltine's telegram of January 15, printed on page 144.]

The following is Consul Hazeltine's report from Iquique:

[Here follows substance of Consul Hazeltine's telegram of January 24, printed on page 149.]

POLK

723.2515/431 : Telegram

*The Ambassador in Chile (Shea) to the Acting Secretary of State*SANTIAGO, *February 11, 1919, noon.*

[Received 3.58 p.m.]

Department's February 10th, noon.<sup>45</sup> Instruction to interview the Minister referred to was carried out at the first opportunity. He was much annoyed and not pleased with the information; he assured me again that the difficulty was more economic than political, that there might be isolated cases where individuals were acting from other motives but that he believed Government officials had in

<sup>45</sup> Not printed; refers to telegram of Jan. 29, *supra*.

all cases been instructed to preserve the peace. He promised to investigate the matter further. Since that time the Minister has been at his summer residence at Vina del Mar. The French Minister has invited me to go with him to see the Minister with respect to conditions there which he describes much the same as Hazeltine. I should like to be instructed as to whether I shall do this.<sup>46</sup>

SHEA

723.2515/432a : Telegram

*The Acting Secretary of State to the Ambassador in Chile (Shea)*

WASHINGTON, February 12, 1919, 4 p.m.

Robbins from Stabler.<sup>47</sup>

Have been assigned Peace Commission, Paris, sail 18th. Fletcher<sup>48</sup> up from Mexico and will stay some time Washington. Edwards, Chilean Minister to London now *en route* to Chile, spoke with Mr. Polk and myself *re* Tacna-Arica and suggested arbitration and Great Britain as possible arbitrator through good offices United States. No definite comment made by Mr. Polk except that idea was interesting. Edwards told by me to get in touch with you and should he desire to send any informal communication to Mr. Polk or me he might send them through you. You may tell him Fletcher is in Washington and if he should desire to communicate send messages marked "for Fletcher". Make no comment as to Edwards idea merely keep Department informed as to his opinions and activities.

POLK

723.2515/437 : Telegram

*The Acting Secretary of State to the Ambassador in Chile (Shea)*

WASHINGTON, February 21, 1919, 5 p.m.

Your February 17, 9 p.m.<sup>49</sup>

It is not necessary for you to speak to the Minister for Foreign Affairs regarding "his annoyance" but you are instructed to carry out action outlined in Department's February 15, 7 p.m.<sup>49</sup> by informing him that the information which he has already received was given him with the friendly intention of inviting his attention to the consideration that the actions, if true as reported, of Chilean officials and citizens against Peruvians in Arica and Iquique seem

<sup>46</sup> In a telegram of Feb. 15, 7 p.m., the Ambassador was instructed not to accompany the French Minister (File No. 723.2515/431).

<sup>47</sup> Jordan Herbert Stabler, Chief of the Division of Latin American Affairs, Department of State, until August, 1919.

<sup>48</sup> Henry Prather Fletcher, Ambassador in Mexico.

<sup>49</sup> Not printed.

not calculated to place Chile in an agreeable light before the public opinion of the world, nor to aid in the solution of the difficulties between Chile and Peru.

PHILLIPS

723.2515/443 : Telegram

*The Consul at La Paz (Hazeltine), Temporarily at Iquique, to the Acting Secretary of State*

IQUIQUE, February 26, 1919, 3 p.m.

[Received 7.59 p.m.]

Conditions improved since my January 24, 3 p.m. Exodus continues but much reduced and mob violence has not occurred. I am informed that local authorities suspect purposes my commission. Please instruct.

HAZELTINE

723.2515/445 : Telegram

*The Ambassador in Chile (Shea) to the Acting Secretary of State*

SANTIAGO, February 27, 1919, noon.

[Received 6.28 p.m.]

Department's February 21, 5 p.m. My January 15, 4 p.m.<sup>48</sup> Hale, in employ of Naval Attaché this Embassy, has recently returned from northern districts and has reported in full concerning situation there. Hale's report concurs with my former reports in that case. The trouble there is principally traceable to acute labor situation caused by scarcity of labor [*work?*] in nitrate fields. We find the principal offenders against the Peruvians seem to be comprised in the Liga Patriótica, a semi-responsible and unofficial organization. Hale reports that at the beginning of the troubles there is little doubt that the Peruvians were badly treated and almost universally threatened. He adds, however, that now the situation has been taken seriously in hand by the Chilean authorities and that no harm has been recently done to Peruvians. Edwards, formerly *Intendente* in Punta Arenas, has been sent to nitrate districts and with other newly appointed officials is, I understand, keeping order. A full report on the situation<sup>49</sup> was mailed by the last pouch which left February 19. Complying with Department's instruction I shall again confer with the Minister for Foreign Affairs when I see him at Valparaiso Friday or Saturday.

SHEA

<sup>48</sup> Not printed.

<sup>49</sup> Despatch No. 404 of Feb. 18, 1919; not printed.

723.2515/450 : Telegram

*The Acting Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, March 5, 1919, 4 p.m.

977. Mr. Lansing.

On February 28 Mr. Polk wrote to the President that the Minister of Peru under instructions from his Government had asked the Department whether Peru should present the question of its differences with Chile to the Peace Conference. Mr. Polk's letter suggested four means of dealing with the Chilean-Peruvian question and asked the President his opinion regarding them.

1. Try to influence Chile to accept the United States as an arbitrator.

2. Press them to select one or more arbitrators and intimate that they might select United States and two European countries, or even three European countries.

3. Leave the question to be dealt with at the Peace Conference.

4. Leave question until the League of Nations is formed.

The letter concluded by recommending Number 2.

On March 3 the President wrote to Mr. Polk stating that he agreed with his conclusion that Number 2 is the best course to pursue and that it should be pursued with considerable energy and persistence.

POLK

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723.2515/459 : Telegram

*The Commission to Negotiate Peace to the Acting Secretary of State*

PARIS, March 14, 1919, noon.

[Received 7.56 p.m.]

1159. For American Embassy Santiago. Private for Robbins from Stabler.

Please seek a suitable opportunity to obtain from Agustin Edwards an intimation as to what reply Government of Chile would make should suggestion be made by Government of the United States to Chile and Peru that each country present its claims for arbitration by arbitration committee composed of representatives of United States, Great Britain and France. Such commission possibly to sit in Paris after signature of peace. With reference to my cablegram to you in regard to Edwards' statement about arbitration by Great Britain, it may be possible for you to find out exactly what Chile will be willing to have arbitrated. . . . You may cable your reply to the Embassy here marked "Personal for Stabler from Robbins," as this inquiry is to be considered as an entirely private one.

AM[ERICAN] MISSION



723.2515/460 : Telegram

*The Commission to Negotiate Peace to the Acting Secretary of State*

PARIS, March 14, 1919, 8 p.m.

[Received 11.47 p.m.]

1166. Your 977, March 5, 4 p.m. Concur in view that conclusion number 2 is best course to pursue. Feel that United States should approach France and Great Britain and suggest a triplicate [*tri-partite*] arbitration with United States. Arbitration to be held in Paris after conclusion of peace, prompted by the three powers to form an international arbitration commission, either as body organized by Peace Conference to settle such disputes or formed without reference to Peace Conference.

The United States [omission] to Chile and Peru and ask them to submit their cases to arbitration by such body. In this way United States could take initiative and would also share any responsibility with France, which country is held in high regard by Peru, and with England, for which strong sympathy exists in Chile.

Stabler has sent private cable to Robbins to endeavor to obtain an intimation from Edwards as to attitude Chilean Government should suggestion along above lines be made.

Stabler is led to believe from his conversations with Garcia Calderon, Peruvian delegate to Peace Conference, that arbitration by such a commission would be satisfactory to Government of Peru.

The question as to what matters would be placed before arbitrators is also of great importance and it might be desirable to find out from Chilean Ambassador and Peruvian Minister, Washington, what each has in mind in this connection. Lansing.

AM[ERICAN] MISSION

723.2515/460 : Telegram

*The Acting Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, March 19, 1919, 6 p.m.

1204. Your telegram No. 1166, March 14, 8 p.m. I do not think it advisable to approach British and French Governments with regard to arbitration between Chile and Peru at this time. Will communicate further on this subject after receipt of reply from Robbins.

POLK

723.2515/462 : Telegram

*The Ambassador in Chile (Shea) to the Acting Secretary of State*

SANTIAGO, March 19, 1919, 6 p.m.

[Received March 20, 10.27 a.m.]

Strictly confidential. Personal for Stabler from Robbins.

Your March 18, 6 p.m., private.<sup>48</sup> Had long conversation with Edwards at dinner given for him Sunday last by his brother at Vina. He expressed great interest in the settlement of the Tacna Arica situation and said that it was his purpose to bring about if possible, settlement of this matter in the near future. He will not come from Valparaiso to Santiago until Monday, when he stated that he would call immediately at the Embassy. With reference to your former cables I told him that I should be glad to transmit any suggestions that he might wish to make to the Department on this situation. I therefore consider it wiser to wait his arrival here on Monday than to go to Valparaiso to confer with him. His entire attitude and the speeches made by him have shown his most earnest desire for Chile to join strongly with the Allies. He now states that he expects to return to his post at London via the United States in about two months.

SHEA

723.2515/466 : Telegram

*The Ambassador in Chile (Shea) to the Acting Secretary of State*

SANTIAGO, March 25, 1919, 7 p.m.

[Received 11.39 p.m.]

Strictly confidential for the Department and for transmission to Mission at Paris.

In conversation with Agustin Edwards, who called at the Legation today, he stated that yesterday the President commissioned him to take up directly with President Wilson the Tacna Arica question and bring about a settlement in accordance with President Wilson's policy.

He expressed the hope that he might be summoned to call on the President either in Washington or Europe at an early date and added that he deplored the fact that the offer of assistance made December 4 by President Wilson<sup>49</sup> had not been accepted and stated that he believed that the Government of Chile also realized

<sup>48</sup> Not printed.<sup>49</sup> See Department's telegram of Dec. 4, 6 p.m., to the Ambassador in Chile, p. 126.

its mistake in not accepting the offer. He stated that his commission was subject to ratification by the Minister for Foreign Affairs, who is at Vina, but that he had no doubt about the latter's approval.

He is extremely friendly and very much in earnest and I believe his work is effective. He will deliver a speech at the Union Club, Saturday evening which he outlined to me today. It will be along the same line but somewhat stronger than his Valparaiso speech, reported March 21.<sup>50</sup> I am to have another talk with him later in the week.

He stated that his work was to be supplemental to and in aid of the Yanez Mission.<sup>51</sup> It is my personal opinion, however, that his instructions will be more definite and will enable him to act more directly than this Mission.

He sails on the *Santa Lisa*, April 2, arriving New York about April 20.

SHEA

723.2515/467 : Telegram

*The Ambassador in Chile (Shea) to the Acting Secretary of State*

SANTIAGO, March 28, 1919, noon.

[Received 10.50 p.m.]

Strictly confidential. For the Department and for transmission to Stabler.

Edwards called Robbins to his office yesterday afternoon and with reference to his conversation with me, my March 25th, 7 p.m., stated definitely that he had been authorized by the President and the Minister for Foreign Affairs to act in a supplementary way to the Yanez Mission and that he was leaving on April 2d in order to accomplish this purpose. He added that the Chilean Ambassador at Washington had been so instructed by cable. He then said confidentially that his first purpose would be to undo the mistake made by the Chilean Government in not accepting President Wilson's offer of good offices and that his main purpose would be to urge President Wilson to renew this offer, the terms being practically as follows:

That a plebiscite be called for the province of Tacna which would in all probability result in that district becoming Peruvian.

Second: that a separate plebiscite be called for the Province of Arica which would probably result in that district becoming Chilean.

Third: That this being the case Chile would make the Province of Arica an "absolutely free zone with no custom houses" and would agree to the use by Bolivia of the Arica-La Paz Railroad. He added

<sup>50</sup> The Ambassador's telegram of Mar. 21 not printed.

<sup>51</sup> See telegram of June 28 from the Peace Commission, p. 159.

in regard to this that this was only the first step and was as much as Chile could do at present owing to the political situation but that should this plan materialize it would only be a question of time before Chile would turn over a part of [or?] all of its Province of Arica to Bolivia.

He also suggested that if President Wilson should mediate it would be advisable to appoint Great Britain or Great Britain and the United States to act as arbitrators but that possibly this would not even be necessary and that President Wilson might settle the matter without arbitration.

He suggested most confidentially that he thought it would be far wiser for the Yanez Mission to discuss financial matters and expressed the hope that he alone be allowed to take up the Tacna-Arica situation. . . .

SHEA

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723.2515/480 : Telegram

*The Commission to Negotiate Peace to the Acting Secretary of State*

PARIS, April 30, 1919, 6 p.m.

[Received 8.11 p.m.]

1874. Your 1337, March 28th, 11 a.m.,<sup>52</sup> 1394 March 31st, 6 p.m.<sup>53</sup> Commission's 1568 April 11, 7 [10] p.m.<sup>54</sup> The President believes that much the most satisfactory way for the settlement of the Tacna-Arica dispute will be for Chile and Peru to submit the matter to arbitration under the Covenant of the League of Nations. Peru is an original member of the League of Nations and Chile is invited to accede to the Covenant. In view of the fact that Peace Conference has adopted the League of Nations it would appear that the moment has arrived when a suggestion may be made by the Department of State to Chile and Peru that they should submit their dispute to arbitration under the Covenant.

AMERICAN MISSION

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723.2515/480 : Telegram

*The Acting Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, May 9, 1919, 2 p.m.

1911. Your 1874 April 30th. For the Secretary of State and Stabler.

In connection with the plan suggested in your 1874, I take the liberty of suggesting that it might at this time have the effect of

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<sup>52</sup> Transmitting telegram from the Ambassador in Chile, Mar. 25, 7 p.m., p. 155.

<sup>53</sup> Transmitting telegram from the Ambassador in Chile, Mar. 28, noon, *supra*.

<sup>54</sup> Not printed.

postponing or preventing the adherence of Chile to the League Covenant. It might also have prejudicial effect on public opinion in the United States and on the Senate if it became known that the Department sought to apply League of Nations in advance of ratification by Senate, and Department would be in an especially embarrassing position if Chile should refuse on the ground that the Covenant had not been ratified either here or in Chile. My own impression is that Chile will not ratify Covenant until the same has been ratified in the United States.

Agustin Edwards, Chilean Minister to London, who is on his way back to his post, called at the Department yesterday in company with the Chilean Ambassador. We had been warned from Chile that he proposed to discuss the Peruvian question. As a matter of fact, they had already discussed the question with Fletcher. They stated to me that there was a plan under consideration in Chile and the Chilean Government would probably in the near future authorize the Chilean Ambassador here to propose through the Department as an intermediary a direct settlement with Peru. In general the plan contemplates dividing the two provinces and giving Tacna to Peru and Arica to Chile [*Bolivia*]. It is also proposed that all customs barriers between the two provinces would be wiped out and that Bolivia would be given control of the railroad, and that all customs barriers as regards Bolivia would also be wiped out.

Edwards pointed out, after I pressed him as to what their position really was, that his Government was afraid of arbitration for the political effect in Chile, and also pointed out that arbitration could not be carried out without the consent of the Chilean Congress. He suggested, however, that in case the proposed plan did not completely meet the approval of Peru, and there were points of difference which could not be settled through an intermediary, that the Chilean Government might accept some plan of investigation similar to that proposed in the Covenant of the League of Nations, even though Chile had not formally joined the League.

I pointed out to him that we could not pass in any way on the justice of the settlement they offered, or make any recommendations to Peru on the subject as his Government had carefully ignored the hint made last December that the United States might be useful in settling this dispute.

723.2515/484 : Telegram

*The Commission to Negotiate Peace to the Acting Secretary of State*PARIS, *May 21, 1919, 4 p.m.*

[Received 6.27 p.m.]

2190. For Polk.

Your 1911, May 19th [9th], 2 p.m., submitted to the President who after consideration of its contents states that his instinct is the same as yours and that it would be best not to make any active suggestion as to submission outside [of?] Tacna-Arica dispute by Chile and Peru to League until League of Nations is adopted along with treaty. He also feels that it would be advisable to await the initiative of Chile in the matter. Lansing.

AMERICAN MISSION

723.2515/490 : Telegram

*The Commission to Negotiate Peace to the Acting Secretary of State*PARIS, *June 25 [28], 1919, 10 p.m.*

[Received June 29, 12.47 a.m.]

2863. For Stabler:

Eliodoro Yanez<sup>56</sup> called at American Mission to say that he had been commissioned by the President of Chile to begin informal discussions on Tacna-Arica question. He expressed the hope that in this manner an agreement might be reached on which to base negotiations which would be carried on ultimately between the two Governments involved. He added that he had been entrusted with this Mission in response to offer of good offices from our Government last December.

The intimation was conveyed to Yanez that it would be an advantage if the matter were taken up at the Department rather than in Paris. To this Mr. Yanez replied stating that he would return forthwith to the United States. He added that he had been commissioned to visit Great Britain, Italy and Belgium to tighten economic relations with Chile but in view of importance of Tacna-Arica matter he would proceed to the United States without visiting those countries. Department will be informed of further movements of Yanez.

AMERICAN MISSION

<sup>56</sup> Former Prime Minister and Minister of the Interior of Chile.

723.2515/491 : Telegram

*The Commission to Negotiate Peace to the Acting Secretary of State*

PARIS, July 2, 1919, 4 p.m.

[Received 6.37 p.m.]

2924. Your 1032, March 8, 4 p.m.,<sup>57</sup> and our 2863, June 28, 10 p.m. Confidential. Yanez states he intends sail about July 20th for the United States. His conversation seemed to indicate Chilean Government would be loath to submit Tacna-Arica question to League of Nations, but favors negotiations with Peru through the medium of the good offices of our Government only.

Yanez engaged at present with economic duties of his mission. He visited Creusot works this week presumably for the purpose of placing orders. Lansing.

AMERICAN MISSION

723.2515/497 : Telegram

*The Commission to Negotiate Peace to the Secretary of State*

PARIS, July 29, 1919, 10 p.m.

[Received 10.46 p.m.]

3387. American Mission's 2863, June 28th, 10 p.m., and 2044 [2924], July 2. Senator Eliodoro Yanez of Chile now states that recent change of Government in Peru causes him to postpone the visit he intended making to Washington for the purpose of discussing Tacna-Arica matter. He expects to stay in France through August and will then probably return to Chile.

AMERICAN MISSION

723.2515/503 : Telegram

*The Chargé in Bolivia (Goold) to the Secretary of State*

LA PAZ, October 6, 1919, 11 a.m.

[Received 12.54 a.m.]

Chilean Minister states that Chile has formally promised Bolivia a port, the grant to take place upon the settlement of the controversy between Chile and Peru. He does not state what port has been offered. It is certainly not Arica but is probably a strip of coast north of Arica where possibilities of a port exist.

GOOLD

<sup>57</sup> Not printed.

723.2515/504 : Telegram

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

SANTIAGO, October 20, 1919, noon.

[Received 9.25 p.m.]

Strictly confidential. An unofficial report from the Foreign Office has reached this Embassy to the effect that a mobilization of troops is taking place along southern border of Peru and further that aeroplanes, arms and ammunition have been received recently by the Peruvian Government from France and the United States. It is suggested that the mobilization has been organized by Leguia for the purpose of making demonstration against Chile.

SHEA

723.2515/504 : Telegram

*The Acting Secretary of State to the Chargé in Peru (Smith)*

WASHINGTON, October 23, 1919, 1 p.m.

Strictly confidential. Embassy in Chile is in receipt of an unofficial report from Chilean Foreign Office to the effect that mobilization of troops is taking place along southern border of Peru, and that the mobilization has been organized by Leguia for the purpose of making demonstrations against Chile. You are instructed to request the Military Attaché to endeavor to ascertain, using the utmost discretion, whether there is any truth in this report. Cable reply.

PHILLIPS

723.2515/517 : Telegram

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

SANTIAGO, October 27, 1919, 7 p.m.

[Received October 28, 5.44 a.m.]

The Chilean Fleet has been ordered to the north ports. The press states that this is not an offensive movement but is done out of an abundance of caution. This is supplemental to my October 20, noon.

SHEA

723.2515/505 : Telegram

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

WASHINGTON, October 30, 1919, 5 p.m.

Your October 20, noon, and October 27, 7 p.m.

In answer to confidential request for information Legation in Peru, on October 27, cabled Department as follows: "I am told there is no mobilization Chilean border or any contemplated. One



thousand troops have been sent to Huaraz to keep order in central regional congress. One regiment being sent to Puno district for same purpose. No troops sent south."

If you deem it advisable you may orally and informally convey this information to the Foreign Office with the end in view of allaying what is apparently a misapprehension regarding Peruvian action thus avoiding an incident between Chile and Peru.

LANSING

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723.2515/522 : Telegram

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

SANTIAGO, November 5, 1919, 2 p.m.

[Received November 6, 12.05 a.m.]

The press to-day publishes, officially, a statement issued by the Ministry for Foreign Affairs denying entirely that Chile had given to Bolivia an extension of land north of Arica for the purpose of a seaport. The statement is issued because of telegraphic report from Washington, published yesterday in the Buenos Aires newspapers, stating that this cession had been officially made by the Chilean Government.

SHEA

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723.2515/527 : Telegram

*The Chargé in Peru (Smith) to the Secretary of State*

LIMA, November 12, 1919, 10 a.m.

[Received November 13, 9.07 a.m.]

In view of insistent rumors agreement Bolivia, Chile for Bolivian port Peruvian Minister for Foreign Affairs November 7th sent to Bolivian Government request for definite information. Minister for Foreign Affairs informed me last night he had received from Bolivian Government reply to the effect that no agreement had been made or was contemplated. Reply also regretted that rumors from abroad had caused inquietude in public opinion of Peru. This telegram was published in this morning's press.

SMITH

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723.2515/534 : Telegram

*The Chargé in Peru (Smith) to the Secretary of State*

LIMA, November 26, 1919, 4 p.m.

[Received November 27(?), 9.01 a.m.]

Strictly confidential. President informed me this morning he had given instructions to his army chiefs to make no troop transfers

or movements that could in any way be interpreted as a mobilization or an aggressive movement towards frontier. He stated he was convinced from best information received that Chile was attempting to provoke Peru into some act which would give excuse for some aggressive movement upon the part of Chile. He emphasized the fact that Peru will do absolutely nothing that could in any way at the present time come between the two countries. He reiterated the hope that the Pacific question would soon be settled by arbitration.

SMITH

### OIL DEVELOPMENT

#### Circular Instructions Calling for Reports on Legislation and Concessions in Foreign Countries—Discussion of the Public Lands Leasing Bill

800.63/1

*The Acting Secretary of State to Certain Consular Officers*

No. 672

Special Instruction

WASHINGTON, *May 31, 1919.*

Consular

GENTLEMEN: The Department of State, cooperating with other departments, is undertaking an economic study of the mineral resources of the world. This study will include amongst other phases of the subject an investigation into the legal restrictions imposed by the various countries upon aliens in securing mining concessions or operating mining properties.

Accordingly you are instructed to obtain and forward as soon as circumstances permit, information on the following points:

(1) General laws and rules governing the granting of mineral concessions, so far as they effect [*sic*] legal titles of concessionaires and not the physical aspects of mining property.

(2) Restrictions, legislative or administrative, which are placed on aliens and not on nationals in granting mining rights or concessions.

(3) Restrictions, legislative or administrative, which are placed on aliens and not on nationals in operating mineral properties, or distributing mineral products.

(4) Restrictions, either legislative or administrative, on the sale of mining rights and properties to aliens.

(5) Information as to whether mineral rights are commonly reserved to the Government and special permits required from the Government to explore or develop mineral resources.

(6) If licenses are required, restrictions, legislative or administrative, which are imposed on aliens and not on nationals.

(7) Information regarding any development of mineral resources, or the distribution of mineral products, directly by the Government.

(8) Information regarding Governmental financing of private companies engaged in producing or distributing mineral products.

(9) Information regarding any excessively large mining grants which because of their size cannot be developed by the concessionaires in the immediate future.

(10) Information regarding any monopolistic mineral grants covering the entire country.

(11) The amount and character of taxes imposed by the Government on the output of minerals.

The terms "mines and minerals" as used above are to be construed broadly and include mineral oil.

If there is available a compiled mining code of recent date you are requested to forward the code with your report.

You are also requested to distinguish between restrictions which are war measures and which will, or probably will, be repealed with the resumption of normal relations and those which are of a more permanent nature.

I am [etc.]

For the Acting Secretary of State:

WILBUR J. CARR

[Attached to the file copy of Special Consular Instruction No. 672, printed *supra*, is the following list of Consulates to which that instruction was to be sent:

Argentina—Buenos Aires

Bolivia—La Paz

Brazil—Rio de Janeiro

Chile—Valparaiso

China—Shanghai

Mukden (for Manchuria)

Colombia—Barranquilla

Costa Rica—San José

Cuba—Habana

Czecho Slovakia—Prague

Dominican Republic—Santo Domingo

Ecuador—Guayaquil

Finland—Helsingfors

France—Paris

Algiers (for Algeria)

Dakar (for Senegal)

Saigon (for Indo-China)

Tananarive (for Madagascar)

Tunis (for Tunis)

Great Britain

London

Australia

Sydney (also for New South Wales)

South Australia and Western Australia—Adelaide

Victoria—Melbourne

## Great Britain—Continued.

Barbados—Barbados

British South Africa

Cape Town

Natal—Durban

Transvaal and Orange Free State—Johannesburg

British East Africa—Nairobi

British Guiana—Georgetown

Ceylon—Colombo

Dominion of Canada

Ottawa

Ontario—Toronto

Quebec—Montreal

Alberta—Calgary

British Columbia—Vancouver

Manitoba—Winnipeg

Saskatchewan—Regina

Nova Scotia—Halifax

New Brunswick—St. John

Prince Edward Island—Charlottetown

Egypt and the Sudan—Cairo

India—Bombay

Newfoundland—St. John's

New Zealand—Auckland

Straits Settlements—Singapore

Trinidad—British West Indies

Greece—Athens

Guatemala—Guatemala

Haiti—Port au Prince

Honduras—Tegucigalpa

Italy—Rome

Japan—Yokohama

Seoul (for Chosen)

Jugoslavia—Belgrade

Mexico—Mexico

Morocco—Tangier

Netherlands—Rotterdam

Batavia (for Dutch East Indies)

Nicaragua—Corinto

Norway—Christiania

Panama—Panama

Persia—Teheran

Peru—Callao—Lima

Poland—Warsaw

Portugal—Lisbon

Roumania—Bucharest

Russia—Irkutsk

Salvador—San Salvador

Siam—Bangkok

Spain—Madrid

Sweden—Stockholm

Turkey—Constantinople

Venezuela—La Guaira]

800.6363/2a

*The Acting Secretary of State to the Consul at Tegucigalpa  
(Donald)*<sup>58</sup>

WASHINGTON, May 31, 1919.

SIR: You are requested to prepare a brief report upon the conditions which will affect the development of petroleum resources by foreigners in the country to which you are accredited.

The report should comprise—

(1) Information as to legislation affecting the development of petroleum resources or affecting grants of concessions to foreigners. It is desirable to have copies of the laws if possible.

(2) Information with regard to concessions now in force; with statements as to their provisions in detail, and as to the nationality of the persons or corporations holding them. Copies of these concessions should be furnished if possible, and if such copies have already been sent to the Department in previous despatches this fact should be stated.

(3) Any information which can be furnished regarding existing oil deposits, and the extent to which these deposits are being worked at present.

(4) General information in regard to the attitude of the Government towards the exploitation of petroleum deposits by foreign capital.

I am [etc.]

For the Acting Secretary of State:

WILBUR J. CARR

800.63/1

*The Acting Secretary of State to the Consul at Guatemala  
(Lawton)*<sup>59</sup>

No. 56

WASHINGTON, June 20, 1919.

SIR: Referring to the Department's Special Instruction No. 672 of May 31, 1919, relative to a report on mining laws and mineral resources, you are instructed, in connection with an investigation of this subject, to endeavor to ascertain discreetly what development in oil fields is taking place in your district, with particular reference to parties who may be prospecting for oil, the nationality

<sup>58</sup> The same, May 31, to the consular officers at Barranquilla (Colombia), Corinto (Nicaragua), Guatemala (Guatemala), Maracaibo (Venezuela), Port au Prince (Haiti), and Santo Domingo (Dominican Republic); and to the Chargé in Salvador. On May 29 to the consular officers at Habana (Cuba) and San José (Costa Rica).

<sup>59</sup> The same, June 20, to the consular officers at Barranquilla (No. 355) and Cartagena (No. 114), in Colombia; at Guayaquil, Ecuador (No. 266); and in Mexico to the consular officers at Acapulco (No. 33), Ensenada (No. 84), Guaymas (No. 37), Manzanillo (No. 18), Mazatlan (No. 576), and Salina Cruz (No. 91).

of these people, and the financial interests which are connected with the enterprise. Any information obtainable concerning the surface indications of the presence of oil in your district is desired.

Your reply to this instruction should be embodied in a separate report and not included in your reply to the above mentioned Special Instruction.

I am [etc.]

For the Acting Secretary of State:

WILBUR J. CARR

800.6363/16a

*The Secretary of State to Diplomatic and Consular Officers*

WASHINGTON, August 16, 1919.

GENTLEMEN: The vital importance of securing adequate supplies of mineral oil both for present and future needs of the United States has been forcibly brought to the attention of the Department. The development of proven fields and exploration of new areas is being aggressively conducted in many parts of the world by nationals of various countries, and concessions for mineral oil rights are being actively sought. It is desired to have the most complete and recent information regarding such activities either by United States citizens or by others.

You are accordingly instructed to obtain and forward promptly from time to time information regarding mineral oil concessions either proposed or granted, sale or transfer of such concessions, change of ownership of oil property or important changes in ownership or control of corporate companies concerned with oil production or distribution. Information regarding development of new oil fields or increased output of producing areas should also be forwarded. Comprehensive data are desired and reports should not be limited to the points specifically mentioned above, but should include information regarding all matters of interest affecting the mineral oil industry which may arise from time to time.

You are also instructed to lend all legitimate aid to reliable and responsible United States citizens or interests which are seeking mineral oil concessions or rights. Care should be taken, however, to distinguish between United States citizens representing United States capital and United States citizens representing foreign capital; also between companies incorporated in the United States and actually controlled by United States capital and those companies which are merely incorporated under United States laws but dominated by foreign capital.

I am [etc.]

For the Secretary of State:

ALVEY A. ADEE

800.63/30a : Circular telegram

*The Acting Secretary of State to Certain Consular Officers*<sup>60</sup>

WASHINGTON, October 17, 1919, 5 p.m.

Referring Special Instruction 672 May 31st, 1919, information on petroleum urgently needed. If full report not possible mail petroleum data on numbers 1, 2, 3, 4 and 6.

ADEE

811.6363/7

*The British Appointed Ambassador (Grey) to the Secretary of State*

No. 805

WASHINGTON, November 6, 1919.

DEAR MR. SECRETARY: In the course of the debate which took place in the Senate in August and in the following months regarding the so-called "Aliens Clause" (Section 40 [1<sup>st</sup>]) of the Oil-land Leasing Bill (S. 2775)<sup>61</sup> certain criticisms were directed at the policy of Great Britain in respect of petroleum and petroleum properties. It was stated, or suggested, that we were endeavouring to secure a world-wide control of oil while refusing equal rights to foreigners in British territory, and that American nationals has [had?] allowed themselves to be out-distanced by foreign competitors in obtaining concessions abroad.

I am sure you will appreciate that the real cause of the state of affairs indicated has been the extraordinary productivity of the oil fields of the United States. It has been unnecessary for American citizens to go beyond their own borders while such immense opportunities existed at home. Even now when experts claim to foresee the early exhaustion of supplies in the United States, new areas are being opened up and development is proceeding with tremendous energy. On the other hand British companies interested in oil production have been compelled, owing to lack of supplies at home, to find their spheres of action abroad. The British Empire produces only 2½% of the world's output of oil and the fields from which this comparatively small quantity is derived are scattered over the world. Unless they are under British control and management it would be impossible to rely on supplies from them being available in time of emergencies. The United States on the other hand produce within their own borders 70 per cent of the total for

<sup>60</sup> The instruction was sent to the Consulates at Algiers (Algeria), Georgetown (British Guiana), Barbados and Trinidad (British West Indies), Colombo (Ceylon), Cairo (Egypt), Paris (France), Bombay (India), and Singapore (Straits Settlements).

<sup>61</sup> See Cong. Rec., vol. 58, pt. 4, pp. 4112 ff.

the world and this vast quantity is directly under their control and can be seized and worked by the United States Government at any moment such a step proved necessary. The fact that small sections may be worked by foreigners does not involve any practical risk to the United States and this is a conclusion which must have been reached long ago by your Government. It has been attempted in the debates in Congress, to draw a parallel between cases which are completely and fundamentally different.

On the detailed statements made by Senator Phelan it may be mentioned that

(1) American interests have conducted active searches for petroleum outside the United States. In Roumania, Turkey, Palestine, China, Borneo, Cuba, Costa Rica, Mexico, Venezuela, Colombia, Peru, Ecuador, Trinidad, Canada and possibly elsewhere American companies have either secured production or done extensive prospecting work. The statement that the attractive oil-producing regions of the world have been closed to the entry of America is obviously untrue.

(2) On any figures so far published the United States are not consuming more oil than they produce. The exports for 1918 were double the imports and when allowance is made for reduction of stocks the excess of production over consumption for the year may be put at 20 million barrels. Mr. Phelan's suggestion that the principal exportations are by American companies from Mexican fields betrays misinformation regarding the facts as the exports of oil produced in the United States in 1918 were about 75 million barrels or about 22 per cent of the production.

(3) The British Petroleum Executive has not hitherto been constituted as a permanent department and the statement as to this and its power is therefore at least premature.

(4) The shareholding in the Royal Dutch Shell Group is, as indicated in the Bureau of Mines Report, 60 per cent Dutch and 40 per cent British. Mr. Phelan's suggestion that a majority of the shares is owned by the British Government is entirely baseless.

(5) In the case of Persia to which reference is made more than once by Mr. Phelan, the concession was originally obtained from the Persian Government by a private British group many years ago. American interests might equally have secured the rights in that country, just as they subsequently did over large areas in China. As regards Peru, so far from 'British nationalistic sentiment having been dominant on the control of oil areas' in that country, the Standard Oil Company, through a subsidiary has absorbed British oil concerns in Peru until there is only one really British company now operating. In Canada by far the strongest petroleum concern is the Imperial Oil Company a Standard Oil offshoot, which is carrying on extensive prospecting work at the present time.



(6) The exclusion of the Anglo-American Oil Company from the Petroleum Pool Board in the United Kingdom during the war was never contemplated. The suggestion that it was only admitted because of the necessity of obtaining supplies from America is unfounded.

I gather that Senator Phelan called attention to a speech made by Mr. D. E. Alves at the meeting of the British Consolidated Oil-fields Limited and I therefore desire to make it clear that this is a private company which has secured concessions in South America by its own efforts in competition with representatives of other countries.

It appears that Section 40 of the Bill (S. 2775) already referred to was amended in the course of its passage through the House of Representatives and now reads as follows:

*“Provided further* that citizens of another country the laws, customs, or regulations of which deny similar or like privileges to citizens or companies [*corporations*] of this country, shall not, by stock ownership, stock holding or stock control own any interest in any lease acquired under the provisions of this Act.”

This clause though apparently comprising only a simple reciprocity provision would seem to place it in the power of any interested competitors to block the issue of a lease on the public domain to any foreign applicant or even to any American corporation having a single foreign shareholder by merely alleging upon information and belief that the country of which such foreigner was a citizen did either by law, custom, or regulation, discriminate against the United States. If (as might easily be the case under the provision) applications from foreign individuals or companies were to give rise in each instance to a lengthy diplomatic discussion involving the determination of the effects of foreign municipal laws, customs and regulations, the practical result of the provision would be to completely exclude foreign investment in American oil lands and perhaps also to render it difficult for foreigners to invest in shares of American oil companies.

The Bill, I understand, is now being considered by both Houses in Conference and I venture to express the earnest hope that the Section in question may be either eliminated or amended.

Believe me [etc.]

(For H. M. Ambassador)

R. C. LINDSAY

811.6363/7

*The Secretary of State to the British Appointed Ambassador (Grey)*

WASHINGTON, *December 20, 1919.*

MY DEAR MR. AMBASSADOR: In your note of November 6, 1919, reference is made to a debate in the Senate in July, 1919, and to Section I of Senate Bill No. 2775, as amended by the House of Representatives.

You are aware that remarks made in the course of a debate in Congress are not within the official purview of the Department of State. It does not seem necessary at this time to discuss the particular questions of fact to which you have called my attention, since they do not appear to be pertinent to what, I venture to suggest, is the essential point, namely, the desirability of reciprocity on the part of different countries with respect to mineral supplies.

The best technical authorities seem to believe that the peak of petroleum production in the United States will soon be reached, and that the reserves will be practically exhausted within a measurable period. The situation of the United States will be the more serious because of its enormous domestic consumption, and because in the past there has been relatively little investment of American capital in important foreign producing fields.

These facts, together with the exclusion of American citizens, either in law or in fact, from commercial production in other countries, has given rise in this country to an agitation for some form of governmental action. The source of this movement lies in the conviction that, with respect to certain essential raw materials, the enjoyment of the same rights in foreign countries that aliens enjoy in the United States is essential to the future welfare of our people. This conviction is believed to underly and explain the provisions of the Public Lands Leasing Bill to which you have referred. The movement would lose much of its force if an agreement were in existence providing in adequate measure for that reciprocity toward which the proposed legislation is directed. The securing of adequate supplies of oil in emergencies does not appear to be irreconcilably opposed to the principle of reciprocal access to supplies.

I am [etc.]

ROBERT LANSING

## ARGENTINA

CONCESSION TO THE CENTRAL & SOUTH AMERICAN TELEGRAPH CO. FOR A CABLE CONNECTING BUENOS AIRES AND MONTEVIDEO; PROTESTS BY THE WESTERN TELEGRAPH CO.; AUTHORIZATION TO OPEN SERVICE, DECEMBER 18, 1919<sup>1</sup>

835.73/85 : Telegram

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

BUENOS AIRES, December 10, 1918, 4 p.m.

[Received 9.18 p.m.]

Strictly confidential. My October 28, 1 p.m.<sup>2</sup> The Embassy has just learned from an authoritative source that the British Legation here by instruction of the British Government addressed on November 27 last a memorandum to the Foreign Office attacking the presidential decree of August 1 last granting the concession for the Central and South American Telegraph Company to lay one or more cables between Argentine and Montevideo and requesting the immediate annulment of said decree.

It is doubtful whether the Argentine Government will take any action whatever in the matter. The concession in question, as the Department has been informed, was signed by the President only after he had gone over the matter personally and after he had received the opinions of both Attorneys General of the Republic that such a concession would not infringe upon the rights granted in the concession to the Western Telegraph Company referred to in the British Legations memorandum.

It would seem, however, that it might be well, if the Department felt it possible, to bring the attention of the British Government to the manner in which the British authorities are attempting to interfere with the legitimate expansion of this important American company which has been granted this concession only after the favorable opinion[s] of both of the highest legal authorities of the Government have been obtained.

STIMSON

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<sup>1</sup> See *Foreign Relations*, 1918, pp. 35 ff.

<sup>2</sup> *Ibid.*, p. 44.

835.73/85 : Telegram

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

WASHINGTON, *January 14, 1919, 7 p.m.*

Your December 10, 4 p.m.

Continue to support project for extension of cables of Central and South American Telegraph Company from Buenos Aires to Montevideo and again acquaint the Argentine Government of the interest which the United States Government has in such extension. Keep Department fully informed as to probable result British Legation's memorandum.

Department is considering advisability of taking up matter of British protest with British Government.

POLK

835.73/88 : Telegram

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

BUENOS AIRES, *January 18, 1919, 4 p.m.*

[*Received 7.26 p.m.*]

Confidential. Your December [*January*] 14, 7 p.m. In accordance with the Departments instructions the Embassy has once more acquainted the Argentine Foreign Office of the interest of the Government of the United States in the extension of the Central and South American Telegraph Company's lines. I am informed that no reply has as yet been sent by the Foreign Office to the protest lodged by the British Legation against the decree authorizing the extension of the company's cables. The protest appears so far to have had no effect and the Minister of Foreign Affairs is stated to be both indignant at the manner in which the protest was worded and satisfied personally as to the justice of the concession.

The signature of the contract for the carrying out of the laying of the cable authorized by the presidential decree has not yet been effected, the company's local attorney holding out for the elimination of the limitation of the life of the concession to thirty years, and objecting to certain details in connection with the governmental tax on messages passing over the company's lines. The negotiations appear however to be advancing satisfactorily and the attorney is confident that the matter will soon be concluded, the question of the Argentine landing site having been already arranged.

STIMSON

835.73/96 : Telegram

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

Buenos Aires, April 16, 1919, 3 p.m.

[Received 7.15 p.m.]

Confidential. My December 10, 4 p.m. 1918, and Department's January 14, 7 p.m. The Minister for Foreign Affairs informed me this morning that the British Minister was continuing to make active and formal protests against the action of the Argentine Government in granting the Central and South American Telegraph Company the concession of August 1, 1918 to lay a cable from Buenos Aires to Montevideo, on the ground that it was in conflict with the monopoly of the Western Telegraph Company. He requested my opinion in the matter, in particular as to the questions of law involved. I replied that I believed a monopoly such as that of the Western Telegraph Company to be contrary to the Argentine Constitution, but that even if it were not so this concession to the American company did not in terms conflict with the monopoly of the Western Telegraph Company, which was in substance a concession to lay cables to Europe only. I added that the matter had been thoroughly investigated and that the decree authorizing the concession has been released by the President only after a favorable decision had been rendered by the Attorney General, and that the company's cables were ready to be shipped, that work on the land lines was already in progress and that I believed the time had passed for the British Government to set forth any objection.

STIMSON

835.73/99 : Telegram

*The Chargé in Argentina (Welles) to the Acting Secretary of State*

Buenos Aires, July 22, 1919, 6 p.m.

[Received July 23, 1.05 a.m.]

The President signed this afternoon the contract for the laying of the cable from Argentina to Uruguay authorized by the concession granted the Central and South America Telegraph Company August 1, 1918.

WELLES

835.73/103 : Telegram

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

Buenos Aires, August 23, 1919, 1 p.m.

[Received 3.35 p.m.]

My July 22, 6 p.m. The Western Telegraph Company yesterday presented a petition to both Houses of Congress protesting against

the concession granted by the Executive to the Central and South American Telegraph Company to lay a cable from Argentina to Uruguay as being in violation of the concession previously granted to the former company and requesting that it be declared null and void by an act of Congress. I am advised that it is highly improbable that either House will take any action.

WELLES

835.73/107

*Report of the Consul General at Buenos Aires (Robertson)*

Buenos Aires, August 30, 1919.

[Received October 24.]

Referring to reports of this office of November 13, and November 18, 1919 [1918],<sup>3</sup> upon the subject of Concession for Cable from Buenos Aires to Montevideo, which was granted in 1918 to the Central and South American Telegraph Company by the Argentine Government, there is now transmitted herein, in quadruplicate, the translation of an Executive Decree of July 21, 1919, appearing in the *Boletín Oficial* of July 24, 1919, on page 455, containing the bases upon which the concession in question for extending one or more cables to Montevideo should be adjusted.

There is also transmitted herein, in quadruplicate, a translation taken partially from the *Review of the River Plate*, of August 29, 1919, of an article appearing in *La Nación* of August 23, 1919,<sup>3</sup> on the part of the Western Telegraph Company, a British owned concern here, asking Congress for the annulment of the Executive Decree of July 21, 1919.

In other words, those British competitors of the Central and South American Telegraph Company have used, and are still using, every possible means to overthrow the concession granted to the Central and South American Telegraph Company for a new cable to Montevideo.

W. HENRY ROBERTSON

[Enclosure—Translation]

*Executive Decree of July 21, 1919, regarding Concession for Cable from Buenos Aires to Montevideo*

Buenos Aires, July 21, 1919.

In view of the papers in this case, and

CONSIDERING:

That, by a Decree of August 1, 1918, the Central and South [American] Telegraph Company was authorized to extend one or more

<sup>3</sup> Not printed.

cables between Buenos Aires and Montevideo, the Department of Posts and Telegraphs being charged with formulating corresponding conditions, and that, after these had been formulated, the Company in its turn observed some of them, causing the intervention of the Attorney General of the Treasury, who pointed out in his decision the impropriety of some of the clauses on legal grounds, rendering their modification necessary, therefore,

THE EXECUTIVE POWER OF THE NATION DECREES:

ARTICLE 1. The authorization conferred on the Central and South American Telegraph Company for extending one or more cables between Buenos Aires and Montevideo, granted by Decree of August 1, 1918, shall be subjected to the following conditions:

1a. The construction and use of this line will be subject to the provisions of the National Telegraph Law of 1875, the concessionaire being also obliged to comply with the laws and regulations previously dictated.

2a. The sub-fluvial line will consist of one or more cables, their point of grounding being fixed on the Argentine shore of the Rio de La Plata, in the spot called Atalaya.

The line of communication between the office of the Central and South American Telegraph Company in Buenos Aires and the place of grounding can be aerial or subterranean, the Company being allowed for this purpose, after agreement with the respective municipalities, to utilize the public high-ways and streets necessary for the placing of the conductors uniting the offices in Buenos Aires with the sub-fluvial cables.

3a. In case the line of communication up to the point of grounding of the cable should be aerial and its conductors have to cross those of the National Telegraph, these latter will be raised so as to be at a height of not less than two metres above the former, the concessionaire paying the expenses caused for this purpose.

4a. The work will be supervised by technical employees of the Department of Posts and Telegraphs, and the maintenance and transportation expenses of the same shall be for account of the Company, for which purpose they shall pay in monthly to the Treasury of the Administration the sums that may be necessary for it.

5a. The Company shall be allowed to place with the previous authorization of the Executive Power the buoys and signals necessary for the protection of the cable to be constructed.

6a. In case of domestic or foreign war, or of the prospects of any danger to the peace or public order, the Executive Power shall be allowed to suspend the service of the new line and to utilize its

conductors for communications that may be necessary, without any indemnification.

7a. In case of interruption of the communications with Brazil or the Republic of Uruguay in the lines of the National Telegraph, this latter shall have the right to utilize the new line of the Company, which will perform the service for a pro-rata amount of the Argentine tax stipulated in the special agreement entered into with said countries and that are now in force.

8a. This concession can not be transferred, nor can the concessionaire enter into any kind of arrangements with private or other telegraph or telephone companies, without the express authorization of the Executive Power.

9a. If the Executive Power for reasons of public utility should decide upon the expropriation of the new line of the Central and South American Telegraph Company, it can effect this by paying a just value at the time of expropriation, in addition to 15%, which is to be considered as the only indemnification and profit for the concessionaire.

The appraisal shall be made at the time that the Executive Power decides to take charge of the installations, lines, and cables by experts nominated, one by each party, and the third in case of disagreement, by the President of the National Supreme Court.

10a. The concessionaire can not devote to the public service the new line authorized without previously presenting for the approval of the Executive Power complete plans of its installations and the corresponding descriptive report.

11a. The service for which this new line is intended is purely and exclusively international traffic and for the transmission of telegraphic characters, and in no case will telephonic communication of public service be permitted.

12a. The tariffs for telegrams sent by this new line shall be established always by agreement with the Executive Power, and in no case shall they be lower than those fixed by the National Government for its lines.

13a. State telegrams and official telegrams of authorized National Bureaus, which may be sent over this new line, shall enjoy a rebate of 50% under the tariffs for the public service. This rebate of 50% shall be applied solely to the trajectories of the line or lines belonging to the Company. By state telegrams are considered those that are thus classified by the international regulations.

14a. Of the employees in the service of the Company, at least 50% must be Argentines.



15a. This concession must be considered as of a conditional character so far that it can be annulled by the Executive Power when public interests advise this.

16a. The concession with its supplementary conditions shall be reduced to public writing within 90 days following the date of this Decree.

17a. The work of constructing this new line shall be terminated within the space of two years from the date of the approval of the present Decree.

18a. The concession granted shall expire of itself, if the concessionaire does not comply strictly with the provisions of the conditions of 16a and 17a preceeding.

ARTICLE 2. Let it be communicated, published, given to the National Registry, and passed to the General Government Subscription Office to be properly inscribed.

IRIGOYEN  
R. GOMEZ

835.73/111

*The President of the Central & South American Telegraph Co.  
(Merrill) to the Secretary of State*

NEW YORK, December 5, 1919.

[Received December 6.]

SIR: For your information, I quote herewith a cablegram received from our Vice President, Mr. J. H. Stabler, viz;

“Buenos Aires, December 1, 1919.

Merrill

New York.

10. This afternoon at six a notary public came to the office with a formal protest from the Western Telegraph Company in which it is set forth that that Company notifies the Central and South American Telegraph Company that it sustains its contention that the Decree of the Argentine Government authorizing our Buenos Aires-Montevideo cable is illegal and warns the Central and South American Telegraph Company that it will be held responsible for any damage and injuries caused to Western Telegraph Company by the use of the above concession which the Western Telegraph Company claim was secured by legal fraud by the Central and South American Telegraph Company working in evidently legal bad faith.

Before making a statement of any kind to the Notary, Beccar<sup>4</sup> was called to the office station, the notary read to him the protest. Beccar advises that the Company should only receive this document under a counter protest and dictated a statement to the following effect that the terms used in the Western Telegraph Com-

<sup>4</sup> Counsel for Central & South American Telegraph Co. in Buenos Aires.

pany's protest were impertinent and unacceptable and that the Central and South American Telegraph Company considers that the Western Telegraph Company had no right to judge the acts of the Central and South American Telegraph Company, that as to the Company proper the declarations of the Western Telegraph Company are without foundation and that the Central and South American Telegraph Company reserves all of its rights.

This statement was then signed and handed to the notary.

As it was also stated in the protest of the Western Telegraph Company that a copy was to be handed to the Minister of the Interior, Beccar advises that a short statement of our position refuting in general the declarations of the Western Telegraph Company be sent in a formal manner to that Company and a copy be handed to the Minister of the Interior.

The object of this statement is to strengthen the position of Minister of the Interior and that of the Government.

Beccar thinks that this procedure on the part of the Western Telegraph Company has little importance and should be taken only as an indication that the Western Telegraph Company has decided to make a direct attack upon our Company and bring suit against it for damages and injuries.

He does not consider that they have a good case against us and has no fear for the outcome.

I have increasing confidence in Beccar and his opinions and we will proceed with great care.

I am keeping the Ambassador advised.

(Signed) Stabler ["]

To this telegram we have replied as follows;

" New York, December 3rd, 1919.

Stabler

Buenos Aires.

24. Your 10. Carefully noted. We have every confidence in your own and Beccar's handling of situation.

(Signed) Merrill ["]

The Mr. Beccar referred to is our Counsel in Buenos Aires.

For your further information, I quote a telegram received this morning from Vice President Stabler;

" Buenos Aires, December 4, 1919.

Merrill

New York.

13. Minister Interior still ill at home and provisional permit unsigned.

Gallegos informed confidentially in Ministry of Interior that Minister had made some objection to giving provisional permit. He thinks that Minister may possibly be influenced by Western Telegraph Company protest.

An attempt will be made today to get at him again by sub-Secretary Interior who prepared our papers for Minister's signature.

Ambassador has been kept advised of our difficulties and will make inquiries of Minister of Foreign Affairs this P.M. as to status our permit.

I have sent personal and confidential message to President Uruguay asking him, if he sees no objection, to inquiring of Argentine Government when permit will be given for opening our line so messages can go to United States from Uruguay direct over one line.

I think that it might aid in hastening action, and if you approve of the following message be given to Dr. Rowe of State Department.<sup>5</sup>

'I am having difficulty in getting permit to open our Buenos Aires-Montevideo cable to public. We have had permit from Uruguay Government for over ten days.

Everything is in order here and contract signed by Argentine Government and Director Posts and Telegraphs has approved and only signature of President to decree authorize opening our line lacking.

Minister of Interior can give us provisional permit to open immediately but there seems to be delay in that Ministry.

In view of foregoing I think it would facilitate matters materially if Department would make request of Argentine Ambassador to ask his Government when it will give necessary permit to open for traffic as Government of United States desires to send soon as possible American cables to Uruguay over an American cable.[']

(Signed) Stabler ["]

Also, a telegram sent to our Washington Manager, Mr. O'Brien, quoting Mr. Stabler's telegram ;

"New York, December 5, 1919.

O'Brien

Washington.

Following for Doctor Rowe from Vice President Stabler, dated Buenos Aires, December 4th, 1919.

[Here follows message for Dr. Rowe embodied in Stabler's telegram quoted *supra*.]

(Signed) Merrill ["]

In connection with the foregoing correspondence, I call your attention to my letter to you of December 28th, 1918, copy of which I enclose herewith.<sup>6</sup>

With great respect, I am [etc.]

JOHN L. MERRILL

835.73/107a : Telegram

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

WASHINGTON, December 15, 1919, 4 p.m.

Consult Stabler concerning his telegram December 4 to Merrill. Advise Department result of your conference with Minister for Foreign Affairs mentioned therein. Why is signing of decree still delayed?

LANSING

<sup>5</sup> Dr. Leo S. Rowe, chief of Division of Latin American Affairs from November, 1919.

<sup>6</sup> Not printed.

835.73/108 : Telegram

*The Ambassador in Argentina (Stimson) to the Secretary of State*BUENOS AIRES, *December 16, 1919, 12 noon.*

[Received 7.35 p.m.]

Your December 15th, 4 p.m. At my conference with the Minister for Foreign Affairs he made an urgent memorandum that the approval of the location for the cable be expedited. Both Stabler and the Embassy have been in contact with the Ministers every day and have been assured that there is nothing but the routine of getting the signatures of the several departments which causes the delay. Application is still in the Bureau of Navigation, under Public Works. When approved there it has to go to the Department of the Interior and then only for final signature of the President. I shall see the Minister for Foreign Affairs again tomorrow.

STIMSON

835.73/113

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

No. 1040

BUENOS AIRES, *January 19, 1920.*

[Received February 28?]

SIR: I have the honor to enclose copy of a note with translation received from the Minister for Foreign Affairs December 30th ultimo,<sup>7</sup> enclosing the decree authorizing the operation of the cable of the Central & South American Telegraph Company from Buenos Aires to Montevideo.

This decree was finally confirmed against the persistent opposition of the Western Telegraph Company, and even of the British Government. (See my Despatch No. 1023 of December 16, 1919; and No. 921 of August 27, 1919, enclosing a copy of the protest lodged by the Western Telegraph Company with both houses of Congress; and my Despatch No. 721 of January 3rd, 1919, enclosing the formal protest of the British Minister made under direct instruction of the British Foreign Office.)<sup>8</sup>

When I called on the Minister for Foreign Affairs to ask him to convey my appreciation of his assistance in carrying through this concession, he remarked that the news would not be pleasant to my friend Sir Reginald Tower (the former British Minister). He further remarked (and this is a matter of considerable interest) that President Irigoyen was unalterably opposed to monopoly, and that the concession of monopoly given to the Western Company in

<sup>7</sup> Not printed.<sup>8</sup> Despatches and enclosures not printed.

1909 never should have been granted. This statement is of interest in showing that should the Central & South American Company decide to attack the monopoly of the Western Company in its effort to revive its original concession of 1881 [1885] it will at least have the sympathy of the present Government.

I regret to see in the newspapers of yesterday a telegram from Rio de Janeiro stating that the concessions for the cables from Rio given to Mr. Carney<sup>9</sup> are again questioned by the Brazilian Government authorities, apparently on the ground that his location has not been approved. Of this matter the Department will of course be informed by the Embassy at Rio; its bearing on the situation down here is only that if the Brazilian concession cannot be made operative from Rio to Montevideo it will probably be necessary for the Central & South American Company to again ask for a direct cable from here to Rio.

In my opinion it will be difficult for the British Government to escape from the argument that this question is closed by the granting of a concession for a sub-marine cable from here to Montevideo, unless it take the ground that this concession was not an infringement of their monopoly because not a sub-marine cable; that is to say, that the River Plate is not a part of the high seas. This is a question which in my opinion they will not desire to raise at the present time.

The cable is working very satisfactorily, and I have advised the Embassy at Santiago that they can send their telegrams to our Legation at Montevideo directly in the future.

I have [etc.]

F. J. STIMSON

[Enclosure—Translation]

*Executive Decree of December 18, 1919, Authorizing the Operation of the Cable of the Central & South American Telegraph Co. from Buenos Aires to Montevideo*

After examination of the subject; and in view of the information given by the Dirección General de Correos y Telégrafos and the Ministry of Public Works; and the Central & South American Telegraph Company having reduced to public writing the concession granted to it to lay one or more cables between Buenos Aires and Montevideo,

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<sup>9</sup> Frank Carney, representative of the Central & South American Telegraph Co. in Brazil.

## THE EXECUTIVE POWER OF THE NATION

## DECREES:—

ARTICLE 1. To approve the labor effected by the Central and South American Telegraph Company in the construction of the telegraphic cable between Buenos Aires and Montevideo, authorized by decree of the 1st of August 1918, and authorize it to open the service to the public.

ARTICLE 2. If the Government should resolve in the future to dredge the Punta de Indio Canal to a greater depth of 7.80 metres, the company must move the cable to the position which may be indicated, without indemnization [*indemnification*] on the part of the Government, and the corresponding expenses shall be borne by it.

ARTICLE 3. The Central & South American Telegraph Company will mark with buoys the principal points of the course of the cable, the position and placing of which are to be communicated to the Ministry of Public Works, in order that they may figure in the corresponding plans of the River Plate.

ARTICLE 4. To be communicated, published, given to the National Registry and filed, after reposition of the appropriate seal.

IRIGOYEN

R. GOMEZ

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835.73/112 : Telegram

*The Ambassador in Argentina (Stimson) to the Secretary of State  
ad interim*

Buenos Aires, February 21, 1920, 11 a.m.

[Received February 22, 7.15 p.m.]

48. My December 19th, 10 a.m.<sup>10</sup> Official notice is given that the Central and South American Telegraph Company has been authorized to establish two additional cables between Buenos Aires and Montevideo, under the decree of August 1, 1918.

STIMSON

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<sup>10</sup> Not printed.

## AUSTRIA

REOPENING OF TRADE, APRIL 2, 1919

600.119/2563 : Telegram

*The Ambassador in France (Sharp) to the Acting Secretary of State*

PARIS, *March 29, 1919.*

[*Received March 30, 3.21 a.m.*]

7917. [For] War Trade Board:

"Number 1259. The Superior Blockade Council today, having received the authorization of the Supreme War Council, decided that the Associated Governments should publish on April 2, 1919 the following notice regarding the restoration of trade relations with German Austria:

"In agreement with the Associated Governments; the Government of the United States of America has decided to authorize its nationals to resume trade relations with German Austria as from April 2, 1919.

"American exporters are however reminded that merchandise shipped to this country should be destined only for supplying the interior needs thereof.

"All reexportation from German Austria to countries with which commercial relations are not authorized is forbidden, save with the authority of the Inter-Allied Commission at Vienna, and reexportation without such authorization will render the exporter liable to legal prosecution.

"The importation into German Austria of all products is permitted save the following (herewith list of articles transmitted in Embassy's 7738, March 19, 5 p.m. our number 1169<sup>1</sup>).

McFadden"

SHARP

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War Trade Board Files

*Notice Issued by the War Trade Board*

W.T.B.R. 679

WASHINGTON, *April 2, 1919.*

RESUMPTION OF TRADE WITH GERMAN AUSTRIA

Acting concurrently with the competent authorities of the other Associated Governments, the War Trade Board announce that all

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<sup>1</sup> Not printed.

persons in the United States are authorized, on and after April 2, 1919, subject to the rules and regulations of the War Trade Board, to trade and communicate freely with persons residing in German Austria.

In accordance with this authorization, applications will now be considered for licenses to export or import all commodities to consignees or from consignors in German Austria, except that, for military reasons, the importation into German Austria of the following commodities will be restricted, and export licenses for the same will be granted only in exceptional cases:

Aircraft of all kinds, including aeroplanes, airships, balloons and their component parts, together with accessories and articles suitable for use in connection with aircraft.

Apparatus which can be used for the storage or projection of compressed or liquefied gases, flame acids, or other destructive agents capable of use in warlike operations and their component parts.

Armor plates.

Armored motor cars.

Arms of all kinds, including arms for sporting purposes and their component parts.

Barbed wire and implements for fixing and cutting same.

Camp equipment.

Camp equipment, articles of, and their component parts.

Clothing and equipment of a distinctively military character.

Electrical appliances adapted for use in the war and their component parts.

Explosives, especially prepared for use in war.

Field glasses.

Gases for war purposes.

Guns and machine guns.

Gun mountings, limbers, and military wagons of all descriptions.

Harness or horse equipment of a military character.

Implements and apparatus designed exclusively for the manufacture of munitions of war, or for the manufacture or repair of arms or of war material, for use on land or sea.

Mines, submarines, and their component parts.

Projectiles, charges, cartridges, and grenades of all kinds and their component parts.

Range finders and their component parts.

Searchlights and their component parts.

Submarine sound signaling apparatus and materials for wireless telegraphs.

Torpedoes.

Warships, including boats and their component parts of such a nature that they can only be used on a vessel of war.

It is to be understood that the exportation of the following articles, viz, barbed wire and implements for fixing and cutting the same,



articles of camp equipment and their component parts, clothing and equipment of a distinctly military character, electrical appliances for use in war and their component parts, military wagons of all descriptions, and harness or horse equipment of a military character, is only forbidden on account of the military use to which such articles can be put. If exporters have information showing that the articles are destined for civil purposes, the same should be submitted with the applications for export licenses.

American exporters are advised that merchandise is permitted to be exported to German Austria only upon the understanding that it is intended to supply the internal domestic needs of that country; and that, without the consent of the Inter-Allied Trade Committee at Vienna, the reexportation of such merchandise from German Austria to countries commercial relations with which are not authorized is forbidden, and further, that such reexportation constitutes a violation of the Trading with the Enemy Act.

For the exportation of commodities to German Austria, applications should be filed on Form X-A. No Supplemental Information Sheet will be required, unless the commodity is a manufacture of gold, in which case Supplemental Information Sheet X-29 should be attached.

For importations into the United States from German Austria, individual import licenses will be required, in accordance with the regulations applicable to importations from the neutral countries of Europe.

The War Trade Board have received no official advices concerning the regulations governing importations into German Austria, and prospective exporters should therefore communicate with their customers abroad before making definite commitments, so that the importers may comply with any import regulations that may be in effect.

The following are the suggested routes for postal and cable communications and remittances and merchandise shipments:

Postal communications should be addressed via France or Italy or Switzerland, and sent either on French or Italian licensed liners carrying mail.

Cablegrams and cable remittances should be made via French cable lines.

Merchandise should be shipped on vessels proceeding directly to Adriatic ports, preferably Trieste.

VANCE C. McCORMICK

*Chairman*

## APPOINTMENT OF AN AMERICAN COMMISSIONER, MAY 15, 1919

763.72119/4825 : Telegram

*The Commission to Negotiate Peace to the Acting Secretary of State*PARIS, *May 2, 1919, noon.*[*Received 1.45 p.m.*]

1921. Professor Coolidge<sup>2</sup> has informed Mission that he desires to be relieved at an early date as representative of Commission in Vienna. When Professor [Coolidge] originally proceeded to Vienna it was under the understanding that his mission was a temporary one and merely for the purpose of gathering information for the Commissioners in connection with the conclusion of peace with Austria Hungary. The Commissioners will therefore endeavor to meet Coolidge's wishes and relieve him at the earliest possible moment but not until further steps have been taken toward the preparation of the treaty with Austria Hungary and until the delegates from German Austria come to Paris. It appears particularly important that Coolidge remain in Vienna for the present in view of the present situation in Hungary.

I am of the opinion however that it is important to take immediate steps to find some one preferably from the Consular Service who could shortly proceed to Vienna to take over in a more permanent way the work which Professor Coolidge will be leaving. In this connection I suggest that the Department consider whether Consul General Coffin would be available for such a task. If sent he would not of course act in a consular capacity until after the signing of the treaty of peace. In case Coffin is not available for Vienna I desire an expression of the Department's views as to who might be sent.

Lansing

AMERICAN MISSION

763.72119/4825 : Telegram

*The Acting Secretary of State to the Commission to Negotiate Peace*WASHINGTON, *May 7, 1919, 5 p.m.*

1888. For the Secretary of State.

Your 1921, May 2, noon.

It would seem that either Halstead, now Consul General at Stockholm, formerly at Vienna, or Coffin, now Assistant to the Trade Adviser here and formerly at Budapest, would be particularly indicated to take over the work which Coolidge will leave. Subject to

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<sup>2</sup> Archibald Cary Coolidge.

your approval I would suggest that one of these officers be detailed as successor to Coolidge, the choice depending upon which can best be spared when Coolidge is ready to leave.

POLK

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763.72119/4927 : Telegram

*The Commission to Negotiate Peace to the Acting Secretary of State*

PARIS, *May 10, 1919, midnight.*

[*Received May 10, 7.52 p.m.*]

2073. Your 1888, May 7. I approve of your suggestion to detail either Halstead or Coffin, preferably the latter, as successor to Coolidge in Vienna. The detail should be made without delay. Lansing.

AMERICAN MISSION

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763.72119/4927 : Telegram

*The Acting Secretary of State to the Consul General at Stockholm (Halstead)*

WASHINGTON, *May 15, 1919, 6 p.m.*

Personal to be deciphered by Halstead.

Secretary of State desires you proceed at once to Vienna via Paris as successor to Coolidge, American Commissioner in Austria.<sup>3</sup> How soon can you leave and telegraph whether Hopper<sup>4</sup> is capable of administering Consulate General?

POLK

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123H16/177 : Telegram

*The Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, *November 17, 1919, 5 p.m.*

3794. For Halstead.

7. Your 39, November 12, 3 p.m.<sup>5</sup>

You will continue after the close of the Peace Mission in Paris in the capacity of United States Commissioner until the sending of diplomatic and consular representatives to Vienna.

LANSING

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<sup>3</sup>This title had not, in fact, been used for Professor Coolidge.

<sup>4</sup>George Dunlop Hopper, Consul at Stockholm.

<sup>5</sup>Not printed.

## BELGIUM

### VISIT OF THE KING AND QUEEN OF THE BELGIANS TO THE UNITED STATES

033.5511/12 : Telegram

*The Minister in Belgium (Whitlock) to the Acting Secretary of  
State*

BRUSSELS, July 23, 1919, noon.

[Received 6.33 p.m.]

294. For the President:

The King has just told me that he wishes to visit America and I have suggested September and October as His Majesty must return to Belgium by 15th November when elections occur. He will be accompanied by the Queen. He asked me to arrange during my leave of absence in America the details of his visit, saying that he would leave it all in my hands and that he wished me to accompany him. He suggested that no more than three days be devoted to official functions so that he may be free to study our institutions and to visit the Pacific coast. He is highly enthusiastic over going and it occurs to me that his visit might have great influence in favor of the peace treaty and of the League of Nations.

WHITLOCK

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033.5511/12 : Telegram

*The Secretary of State to the Minister in Belgium (Whitlock)*

WASHINGTON, July 26, 1919, 5 p.m.

463. Your 294, July 23, noon.

Please convey to the King the following message: "Having heard from Mr. Whitlock that it might be possible for Your Majesty to come to this country for a short time in the autumn I hasten to tender on behalf of the American Government a most cordial invitation to Your Majesty and to Her Majesty the Queen of the Belgians to visit the United States at such time as may best suit your convenience.

May I add a personal expression of the great pleasure that it will give me to receive you and the Queen as the honored guests of the Nation. Woodrow Wilson."

LANSING

033.5511/14 : Telegram

*The Minister in Belgium (Whitlock) to the Secretary of State*

BRUSSELS, July 28, 1919, 6 p.m.

[Received 9.42 p.m.]

300. For the President:

In an audience with the King to-day I had the honor to present to His Majesty your invitation to visit America. He was pleased and said he accepted with great gratitude not only, as he said, because it gave him an opportunity to return the visit with which you honored Belgium and to thank America for all she had done for this country and people, but because he would be enabled to study our institutions as well. In my telegram number 299<sup>1</sup> I said that he would like to sail in August but he informed me to-day that he will probably not be able to get away until some time in September and that he would spend the month of October in America. He asked me to consult with our Government, arrange the details and submit them to him later.

WHITLOCK

033.5511/160 : Telegram

*Rear Admiral Long to the Secretary of the Navy (Daniels)*

[Paraphrase]

U.S.S. "GEORGE WASHINGTON,"

September 29, 1919, 9.35 p.m.

The following is for the Secretary of State:

*Re* your 011928. I am directed by His Majesty to inform you that it is very agreeable to him to make a tour of the United States before visiting the President at Washington. His Majesty fully appreciates the changed conditions and regrets extremely to hear of the President's illness. I am directed by His Majesty to inform you that in view of intended schedule he would greatly prefer to arrive at Hoboken, N. J., on Thursday the 2d instead of Friday the 3d. As soon as possible, he requests that a detailed program of the visit in New York be forwarded. (Two groups garbled.) 180329.

[No signature indicated]

033.5511/343b : Telegram

*The Acting Secretary of State to the Chargé in Belgium (Armour)*

WASHINGTON, October 31, 1919.

535. Give publicity to following:

President of United States and King of the Belgians clasped hands at the former's bedside at the White House late Thursday

<sup>1</sup> Not printed.

afternoon as the climax of the Royal Belgian Party's historic visit to the United States. The entire Belgian Party left the National Capital at midnight Thursday to sail homeward bound from Newport News on the *George Washington* today.

Following their nation wide tour of the United States, with general enthusiasm marking their entire itinerary from coast to coast as the nation's guests, the King and Queen of the Belgians and the Duke of Brabant and the other members of the official party from heroic Belgium, spent three days at Washington with a crowded program of entertainment indicative of the close friendship between the American and Belgian peoples. President Wilson was ill but the Vice President of the United States and the Secretary of State entertained Royal Party at formal dinners, Belgian Embassy entertained at dinner and there were other festal events in honor of Royal Party.

In course of their stay at Washington there were formal ceremonies at the Capitol where the King addressed both Houses, there was a pilgrimage to the shrine of George Washington at Mount Vernon, the King received degree of doctor of laws from the Catholic University and the George Washington University and the Queen had conferred upon her degree of doctor of letters by Trinity College. The King traveled incognito to Naval Academy Annapolis yesterday while the Queen traveled incognito to Baltimore where she visited the Red Cross Hospital for the Blind and Johns Hopkins University.

King and Queen and Duke of Brabant called at the White House to take tea informally with Mrs. Wilson and the King at the request of the President went to the latter's sick room and spent a short time at the bedside where the President and the King held converse. The Queen, accompanied by Mrs. Wilson, and the Duke of Brabant visited the President for a few minutes at the latter's request.

The Belgian Party left on a special train at midnight for Newport News, members of the Cabinet and other officials of the Department of State and the personnel of the Belgian Embassy being among those gathered to bid the party farewell. The King, on behalf of himself, Queen and Duke of Brabant expressed appreciation of America's hospitality and referred to the lasting friendship between the United States and Belgium. The Secretary of State and Mrs. Lansing, the Secretary of the Navy and Mrs. Daniels, the Belgian Ambassador, Baron de Cartier, and the Third Assistant Secretary of State, Mr. Breckinridge Long, accompanied the Royal Party to Newport News, the port of departure. A visit to the Portsmouth Navy Yard this morning was included in the program.

PHILLIPS

**BOLIVIA**

**CONVENTION WITH THE UNITED STATES FOR THE ESTABLISH-  
MENT OF AN INTERNATIONAL GOLD-CLEARANCE FUND**

(See pages 42 ff.)

## BRAZIL

### CONCESSIONS TO THE CENTRAL & SOUTH AMERICAN TELEGRAPH CO. FOR CABLES CONNECTING BRAZIL WITH CUBA AND URUGUAY; OPPOSITION BY THE WESTERN TELEGRAPH CO.<sup>1</sup>

832.73/169 : Telegram

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

WASHINGTON, June 4, 1919, 6 p.m.

Department is informed by Central & South American Telegraph Company that their present legal representative in Brazil is William S. Buchanan vice Frank Carney. Please render Mr. Buchanan any assistance in furtherance of his negotiations with Brazilian Government which you deem necessary.

POLK

832.73/170a : Telegram

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

WASHINGTON, June 21, 1919, 4 p.m.

This Government is reliably informed that the Central and South American Telegraph Company, a corporation controlled and directed by prominent American citizens of good standing, has encountered and is still encountering serious obstacles in its earnest efforts to secure, and put into effect, non-exclusive rights to connect Brazil by cable with the Argentine Republic and Cuba, thereby insuring to the Brazilian and American Governments, commerce and public, more direct and competitive communications by cable.

The long legal struggle of the Central and South American Telegraph Company to enter Brazil terminated, this Government understands, in 1917, with an eleven to one decision of the Brazilian Supreme Court, confirming the contract concession granted in 1917 to the Central and South American Telegraph Company.<sup>2</sup> Since that time, however, as this Government is informed, opposition to the carrying out of said contract pursuant to the terms of said decision has been persistently shown by minor officials of the Brazilian Government, particularly in the refusal of the Tribunal de Contas to register said contract on the ground that the Central and

<sup>1</sup> See *Foreign Relations*, 1918, pp. 45 ff.

<sup>2</sup> *Ibid.*, p. 52.



South American Telegraph Company is not authorized to do business in Brazil and also because of the duties exemption clause 23 of said contract. The company is taking the necessary steps to secure the authorization to do business and is ready and willing to comply with any other technicalities, and entirely disposed, if necessary, for the rapid advancement of its entry into Brazil, to waive all exemption of customs duties.

The contract concession for cables from Brazil to Cuba, granted to Frank Carney,<sup>3</sup> in representation of the Central and South American Telegraph Company, is also being subjected to the same hostile treatment and a petition for a similar contract concession from Brazil to Uruguay has been recently rejected by the Brazilian General Direction of Telegraphs.

While this Government has made no exhaustive investigation of the legal status of the rights granted to, or asked for, by the Central and South American Telegraph Company, it has a lively interest in this undertaking to facilitate and extend cable communications between our two countries.

This Government confidently believes that the Brazilian Government participates in this Government's desire to further the mutual interests of the two Republics by encouraging this and any other additional means of communication, and that once attention of the Brazilian Government is fixed on the importance of the plans of the Central and South American Telegraph Company, the Brazilian Government will do everything in its power to aid in the realization of those plans.

You will, therefore, seek the earliest opportunity to bring the foregoing to the attention of the Brazilian Government, and urge the earliest possible clearing away of the difficulties and obstacles mentioned and any others which may arise to obstruct the legitimate plans of the company mentioned.

Confidential. Please mention to Da Gama<sup>4</sup> my personal hope that this matter be [speedily settled].

POLK

832.73/171 : Telegram

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

RIO DE JANEIRO, June 23, 1919, 3 p.m.

[Received 7.45 p.m.]

Department's June 21, 4 p.m. Please inform Central and [South] American Telegraph Company that in my judgement their matter

<sup>3</sup> See p. 199; see also *Foreign Relations*, 1918, p. 74.

<sup>4</sup> Brazilian Minister for Foreign Affairs.

should be presented to Foreign Office on the following lines: request for registration by Tribunal de Contas of 1919 northern concession for cable to Cuba and request to Minister of Public Works for reconsideration of decision in regard to new southern concessions, the clauses of which would eliminate objections of Tribunal de Contas to registration of 1917 southern concessions. Registration of latter concession should not be pressed at this time.

It is my opinion furthermore that while Buchanan should remain in full charge of company's Brazilian business the employment of Carney should continue. His familiarity with local cable situation cannot at present be dispensed with.

MORGAN

832.73/176

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

No. 1517

RIO DE JANEIRO, July 1, 1919.

[Received August 5.]

SIR: Referring to the efforts of the Central and South American Telegraph Company to obtain the registration by the Tribunal de Contas of a cable concession, which the Brazilian Government granted its representative, Mr. Frank Carney, on April 16th, 1919, and to secure also a concession from the same Government in the name of Mr. Carney for laying separate cables from Rio de Janeiro and Santos to the River Plate; referring, furthermore, to the Department's cable instructions to this office of June 21st, 4 p.m., and to my cable reply of June 23rd, 3 p.m., on those subjects, I have the honor to report that a note relative to the American cable situation, a copy of which is enclosed, has been handed to the Minister for Foreign Affairs with the request that he transmit it to the Minister of Public Works, who has charge of telegraph concessions. In handing this note to Dr. da Gama, I again took occasion to draw his attention to the great importance of the matter to which it referred and to request him to exert himself, both with the Minister of Public Works and with the Tribunal de Contas, to secure the gratification of the Department's wishes.

It would be improper for me to make direct representations to the Tribunal de Contas and I must leave negotiations with that court to the Brazilian Ministers and the representatives of the cable company. The latter believe that progress is being made and that there is reason to expect that the 1919 concession will be registered before long.

I have [etc.]

EDWIN V. MORGAN

[Enclosure]

*The American Ambassador (Morgan) to the Brazilian Minister for  
Foreign Affairs (Da Gama)*

No. 562

RIO DE JANEIRO, June 24, 1919.

MONSIEUR LE MINISTRE: I have the honor to hand Your Excellency herewith, in Portuguese, a memorandum on a subject which my Government considers important, i. e., the projected amplification of the present inadequate means of telegraphic communication between the United States and Brazil, and between other countries of the American continent. It is to this matter that the telegram from the Department of State refers, a paraphrase of which I have also the honor to hand you in Portuguese.<sup>5</sup>

In view of the fact that more than one cable concession has recently been granted by Your Excellency's Government to cable companies of British and French nationality and, furthermore, that in the petition for a new cable concession from Brazil to Uruguay, which Mr. Frank Carney, of this city, the representative of the Central and South American Telegraph Company, recently, in his own name, presented to the Minister of Viação, the objections of the Tribunal de Contas were met to registering the cable concession granted to the said Company in 1917, I was under the impression that Mr. Carney would encounter no difficulties in obtaining a new concession for the laying of the projected separate cables from Rio de Janeiro and from Santos to the River Plate.

From the enclosed memorandum, Your Excellency will observe that the mode of procedure which Mr. Carney followed in relation to this concession was the one suggested to me by Dr. Tavares de Lyra, when Minister of Viação in September, last. I communicated, at that time, the Minister's suggestion to my Government, and, on the strength of his assurance that the concession could be arranged, the Company has proceeded to order the necessary cables and has incurred a very heavy expenditure thereby. It was, therefore, with surprise and disappointment that I learned recently that objections had been raised in the Ministry of Viação to granting the new concession and that the matter was postponed. It was also a cause of disappointment that the Tribunal de Contas declined to register another contract which was granted Mr. Carney, in his own name, on April 16th, 1919, for cable lines between Brazil and the Island of Cuba. Mr. Carney in asking for this concession was acting as the representative of his Company and followed the method sug-

<sup>5</sup> Not found in Department files; probably a paraphrase of the Department's telegram of June 21, p. 193.

gested by His Excellency, the Minister of Viação, in regard to the concession for cable lines to the River Plate, to which reference is made above. I have the honor to hand you as a third enclosure a copy of an unofficial communication which I addressed on May 22nd, 1919, to His Excellency, the Minister of Viação regarding the registration of this contract,<sup>6</sup> which resulted in a request from him to the Tribunal de Contas to reconsider the subject of registration.

In view of the deep interest, which my Government is evincing in regard to increasing cable communication between Brazil and the United States, I have the honor to ask the good offices of Your Excellency,

First, in assisting the Embassy to secure a concession from the Government of Brazil for the Central and South American Telegraph Company, in the name of Mr. Frank Carney, for separate cables from Rio de Janeiro and Santos to the River Plate, and

Secondly, in assisting the Embassy to obtain the registration by the Tribunal de Contas of the concession which was granted Mr. Frank Carney by the Government of Brazil for cables between Brazil and the Island of Cuba on April 16th, 1919.

I avail [etc.]

EDWIN V. MORGAN

[Subenclosure]

#### MEMORANDUM

For over fifty years the Government of the United States has been lending its support to the attempts of American Companies to establish a submarine cable that would directly connect the United States of America and Brazil independent of foreign lines. There have been long and persistent efforts to accomplish this object. Several telegraph monopolies granted by the Government of Brazil to other countries since the birth of the Republic, have had the effect of thwarting all attempts made by Americans to obtain a concession.

Finally, after prolonged litigation ending at the Federal Supreme Court, the latter rendered a decision, declaring that the term of the monopoly had expired which so long had obstructed the proposed extension of the submarine cables of the Central and South American Company with terminus at Buenos Aires.

In accord with a request by the Government of the United States in behalf of this Company, the Government of Brazil published decree No. 12,599 of August 11th, 1917, granting to the above mentioned Company, without monopoly or privilege of any sort, permission to lay two submarine cables connecting separately the cities

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<sup>6</sup> Not printed.

of Rio de Janeiro and Santos with any part of the Republic of Argentina.<sup>7</sup>

The contract was duly signed by the Minister of Public Works, and by the representative of the Company, after all legal requirements had been met. It happened, however, that the "Tribunal of Contas" refused to register this contract, owing to a clause which, contrary to law, granted exemption from custom duties, also because the Company had failed to obtain the necessary authorization to operate in Brazil.

In a reply to the report of the "Tribunal of Contas", the Company expressed its willingness to eliminate the offending clause, but took under advisement the matter of obtaining authorization to operate in Brazil in order to legally close a contract with the Federal Government, inasmuch as the referred permission was granted the Company "for itself or any Company that it might organize". It appeared to the officials of the Company that a new Company must be organized to lay the cables; in such event, the Central and South American Telegraph Company would not operate in Brazil, and hence, any authorization for such purpose would be unnecessary. The new Company, once organized, would, of course, have to obtain permission to operate.

A conference was held between the Ambassador of the United States and the Minister of Public Works on September 11th, 1918, at which the latter stated that it would be inconvenient to revise the clauses of the signed contract, since these had been arranged at the Company's request.

The Minister of Public Works then suggested that the representative of the Company should be authorized to ask in his own name a concession for laying the proposed cables. In the drafting of the new contract, the exemption-from-duty clause would be eliminated as well as other objectionable clause[s].

The outbreak of the war made it impossible to purchase cables necessary to carry out the project, and the Central and South American Telegraph Company failed, for the time being, to take advantage of the recommendation of the Minister of Public Works. However, as soon as the manufacture of cables could be resumed, the Company authorized its representative in Brazil, Mr. F. Carney, to ask the proposed concession in his own name. A large order was placed for cables to be laid between the cities of Rio de Janeiro and Santos, and the Rio da Prata, (Montevideo and Buenos Aires). These cables which are now being manufactured, represent an expenditure of about twenty five thousand contos de reis (about \$6,250,000.00 in

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<sup>7</sup> *Foreign Relations*, 1918, p. 52.

American currency), and if the Government of Brazil should fail to authorize the laying of these, a heavy loss would be sustained. Either the new concession should be approved, or decree No. 12,599 of August 11th, 1917, should be accepted, after due modification so as to have it registered by the "Tribunal of Contas".

In accordance with authorization received by the representative of the Company, Mr. Carney presented in his own name, on April 15th, 1919, a request, for permission to lay the cables, leaving to the Government of Brazil to decide how the existing clauses of decree No. 12,599 should be made acceptable (with exclusion of clause of exemption custom duties), or whether such clauses as have recently appeared in other similar contracts should be approved, granting the term of one year for laying the cables.

The American Embassy in Rio de Janeiro is informed that the Government of Argentina has recently granted permission to the Central and South American Telegraph Co., to lay one or more cables between Buenos Aires and Montevideo, the Company having already obtained authorization from the Government of Uruguay to land its lines in that country. The Company has a representative in Montevideo who is now conducting negotiations with that Government to obtain the right to land cables from Brazil. These negotiations are well under way.<sup>8</sup>

In addition to these two cables between Rio de Janeiro and Santos, and the Rio da Prata, the same Company has planned to lay another cable between Rio de Janeiro and the island of Cuba. To this end, Mr. Carney, representative of the Company in Brazil, was duly authorized to request, in his own name, a concession from the Government of Brazil. This concession consists of decree No. 13,524 of March 26th, 1919, and of a subsequent contract signed on April 16th.

On May 9th, the "Tribunal of Contas" refused to register the latter contract, because it did not include a statement of the law upon which it is based, namely: Article 131, of law No. 2,924 of January 5th, 1915.

The Minister of Public Works subsequently requested the "Tribunal of Contas" to reconsider its decision, and there the matter rests.

The Government of the United States has expressed the hope of an early decision of the "Tribunal of Contas" in accord with its verdicts in similar cases of recent years.

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<sup>8</sup>There is no diplomatic correspondence relating to these negotiations, which were carried on successfully by the company's representatives with no special diplomatic support.

The realization of the two projects mentioned in this memorandum, which requires the expenditure of enormous capital, will facilitate to a marked degree the telegraphic communications between the various American countries at a time when the commercial and industrial life of those nations are attracting general attention.

The war clearly proved the inadequacy of our present means of telegraphic communications. The Government of the United States will appreciate any effort that the Government of Brazil may make toward the realization of the two actual projects which have enlisted the good offices of the Government at Washington for many years.

*June 23, 1919.*

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832.73/173 : Telegram

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

RIO DE JANEIRO, *July 1, 1919, 1 p.m.*

[*Received July 3, 5.05 p.m.*]

In spite of representations to [omission] and the good will of Brazilian Foreign Office the Western Telegraph line's opposition to the registration of the Central and South American Telegraph Company's Cuban concession continues. If this opposition were removed the matter would probably go forward satisfactorily.

Cannot steps be taken in London to remove the unjustified impediments which this British Company is placing in the way of a legitimate and necessary American enterprise? My patience and resources here are about exhausted.

MORGAN

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832.73/174a : Telegram

*The Acting Secretary of State to the Ambassador in Great Britain (Davis)*

WASHINGTON, *July 18, 1919, 5 p.m.*

5684. Central and South American Telegraph Company reports with corroboration of American Ambassador to Brazil that its efforts to complete system of South American cables have been hampered many years by opposition British Western Telegraph Company. Central and South American Company purely American. Lines already reach Cuba, Mexico, countries of Central America and West Coast of South America as far south as Argentina. Now attempting to reach Uruguay and Brazil. Contract is signed with Government of Brazil for cables Brazil to Cuba and Argentina. Contract with

Colombian Government for cable to Colon and with Argentina and Uruguayan Government for cables Buenos Aires and Montevideo about to be signed. Western Telegraph Company with its associated Companies having lines from Europe to Brazil and Argentina has not only defended the exclusive rights granted many years ago by Brazil and Argentina but has, it appears, far exceeded proper methods of commercial rivalry notably in opposing registration of the Central and South American Company's contracts for cables from Brazil to Cuba and Argentina and opposing grant by Brazilian Government of concessions for cables to Uruguay. The Western Telegraph Company also grossly discriminates in rates charged on messages handled by the Central and South American Company. The opposition of the Western Company to 1917 contract with Brazilian Government for cables Rio and Santos to Argentina has not ceased, though after long litigation the Brazilian Supreme Court decided eleven to one against the British Company.

You will confer with Foreign Office and if possible secure relief for American Company from opposition exceeding the bounds of friendly business rivalry.

POLK

832.73/182

*The Ambassador in Brazil (Morgan) to the Secretary of State*

No. 1528

RIO DE JANEIRO, August 2, 1919.

[Received August 22.]

SIR: I have the honor to transmit an English translation of the text of the concession granted by Executive Decree of July 20th, 1919, No. 13,697,<sup>o</sup> permitting the Compagnie des Cables Sud-Américains to transfer the landing of its Dakar-Recife cable from Recife to Rio de Janeiro.

The granting of this concession to the French Company, which has maintained, for several years, a submarine cable line between Pernambuco (Recife) and Dakar was one of the last acts of the late Federal Administration. The French Company will now be able to bring its lines to the populous center of Rio de Janeiro and will considerably increase its business. The concession does not interfere with that which is being sought by the Central and South American Telegraph Company and embodies, as does the draft concession of that Company, the recognition of the propriety of foreign telegraph lines, which do not belong to the Western Telegraph Company, landing at the Island of Fernando de Noronha, which, although at present forms part of the State of Pernambuco, was not a portion of

\* Not printed.



the province of that name when the Western obtained its 1873 concession. The privileges which are reserved to the Federal Telegraph Lines in the present concession are of interest.

The Central and South American Telegraph Company may not have received a copy of the enclosed decree and I, therefore, suggest that one be furnished the head-office.

I have [etc.]

EDWIN V. MORGAN

832.73/177 : Telegram

*The Ambassador in Great Britain (Davis) to the Secretary of State*

LONDON, August 13, 1919, 8 p.m.

[Received August 14, 5.56 a.m.]

2783. Your cipher telegram number 5684, July 18, 5 p.m. At the Embassy's suggestion the Foreign Office to-day invited Sir John Pender, President of the Western Telegraph Company, to make a verbal statement of his case in respect to the report[ed] unfair methods of his Company's agents in South America.

In the presence of a member of the Embassy Staff Sir John declared that by the employment of the same methods with which he is charged the Central and South American Cable Company had established themselves as a competing concern on the West Coast of South America and had so far been in control of the traffic on that coast as to make British competition highly unprofitable if not impossible; that according to his information his American competitors now planned by means of their proposed east coast cable to divert traffic to the west coast and thence to New York and Europe; that to meet this emergency he had taken two steps: (1) to undertake to lay in conjunction with the Western Union Company of America a cable from Brazil to Miami, Florida, touching at Barbados, which he hopes to complete within six months, and (2) to invite the Central and South American Company, through Mr. Carlton of the Western Union, to consolidate with the concerns interested in the operation of east coast cables. He added that in the event of his proposal being accepted he would request permission of his Government to transfer to Central and South American Company all British cable interest on the west coast, but that in case of refusal he would continue to employ every means within his power to prevent the laying of competing cables. When asked whether he did not consider some of his company's business methods unfair and unfriendly Sir John replied that his American competitors had been forced to come to England for the purpose of their cable in the laying of which they expected to use a ship which is now engaged in [the] work of extending his own lines and that,

had he so desired, he would easily have prevented the use of this vessel by the American firm; that as regards his company's activities in Brazil in opposing the American concession, they had limited themselves to pointing out to the Brazilian authorities a clause in the concession which provides that the contract before being registered shall be referred to the Brazilian Department of Posts and Telegraphs for approval. Finally Sir John declared his determination to oppose the American company at this point by the use of all practical keen methods which he said should be distinguished from unfair methods.

Confidential. It appears that the concession granted to Western Company to lay its cable to Miami via Barbados was obtained about the same time as the South and Central American Company's Cuba-Brazil concession. When this point was raised Sir John stated he was not aware which company had prior rights. If the Central and South American director[s] refuse to enter the combination, as seems likely from the tenor of Sir John's remarks, and the Department support them in their attitude, it might prove advisable to refuse permission to the Western Company to land their cable at Miami in the event of the continuance by them of unduly aggressive and obstructive measures in Brazil and the Argentine.

DAVIS

832.73/185 : Telegram

*The Ambassador in Brazil (Morgan) to the Secretary of State*

RIO DE JANEIRO, *October 24, 1919, 11 a.m.*

[*Received 5.30 p.m.*]

The President yesterday signed an Executive decree conceding to Frank Carney, representative of Central and South American Telegraph Company without monopoly or privilege of any kind and without subvention from the Brazilian Government either through himself or through companies which he may organize the right to lay a submarine cable linking the cities of Rio de Janeiro and Santos to any part of the territory of Uruguay and to carry out telegraphic communication. Am expressing to the President the appreciation of this office for the sincerity and good will which he has shown in relation to this important interest which deeply affects the future relations of the United States and Brazil. Thanks are also due to Mister McLaren and Mister Stabler of the cable company for the notable ability with which they handled the matter during their recent visit.

MORGAN

832.73/186 : Telegram

*The Ambassador in Brazil (Morgan) to the Secretary of State*

RIO DE JANEIRO, October 25, 1919, noon.

[Received 7.10 p.m.]

Supplementing Embassy's telegram of October 24th, 11 a.m., it gives me pleasure to report that the President of Brazil has signed a decree granting the Central and South American Cable Company a concession to lay a cable from Rio de Janeiro to Cuba via the island of Fernando de Noronha. This decree, together with one for the Rio to Uruguay concession, will go for registration to Tribunal de Contas, which the President believes will act favorably.

MORGAN

832.73/190 : Telegram

*The Chargé in Brazil (Wadsworth) to the Secretary of State*

RIO DE JANEIRO, December 2, 1919, 2 p.m.

[Received 6.48 p.m.]

Embassy's telegram of October 24, 11 a.m. Tribunal de Contas yesterday unanimously registered Central and South American Telegraph Company's submarine cable concession from Rio de Janeiro to Santos and any point in Uruguay.

WADSWORTH

832.73/191 : Telegram

*The Chargé in Brazil (Wadsworth) to the Secretary of State*

RIO DE JANEIRO, December 16, 1919, 1 p.m.

[Received 7.35 p.m.]

Embassy's October 25th noon. Concession to Central and South American Cable Company to lay cable from Rio de Janeiro to Cuba registered yesterday by Tribunal de Contas.

WADSWORTH

**PROPOSAL OF BRITISH FIRMS FOR THE CONSTRUCTION OF A NAVAL ARSENAL—NEGOTIATIONS FOR AMERICAN PARTICIPATION**

832.3421/38 : Telegram

*The Ambassador in Brazil (Morgan) to the Secretary of State*

RIO DE JANEIRO, May 31, 1918, 3 p.m.

[Received June 1, 1.26 a.m.]

Confidential. Foreign Office in conversation today confirmed report recently circulated to the press that Vickers, Armstrong have

proposed to Brazilian Government to erect a marine arsenal, and to construct shipyards for merchant vessels, ships, men of war. They wish also to manufacture iron and steel, using the Itabira Iron property in Minas, controlled by a British syndicate including Baring, Cassel, themselves and others. The proposal contains clauses by which legal questions will be settled by British and not Brazilian courts, and by the judiciary. Plants belonging to the group would have preferential consideration in all orders which they are capable of executing given by Brazilian Government. The financial clauses stipulate that Brazil shall issue interest bearing Federal bonds to guarantee cost of plants; excess orders which she may eventually place will be used for amount expended. The proposal has been sent from the Foreign Office to Minister of Finance.

Are American companies interested? Bethlehem Steel prepared plans for marine arsenal some years ago.

This is further proof of British drive to control Brazilian trade.

MORGAN

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832.3421/38 : Telegram

*The Secretary of State to the Ambassador in Brazil (Morgan)*

WASHINGTON, June 24, 1918, 2 p.m.

Your May 31, 3 p.m. Inform Brazilian Government that large American shipyard constructors and steel manufacturers are very much interested. If Brazilian Government will furnish them with general outline of the shipbuilding and steel making programme, American concerns, experienced in the construction of the most modern shipyards and steel plants will submit plans and proposals which they are confident will be more satisfactory than those offered by Vickers, Armstrong.

Confidential. While it is not probable that an undertaking of this magnitude proposed by Vickers, Armstrong could be started or financed during the war, if such a contract is to be granted under the terms mentioned in your telegram, it is of the utmost importance to our interests in Brazil that no other than an American company should eventually secure it and the vast amount of trade it would control, and therefore American companies should also submit proposals to build these plants as soon as possible.

The Department desires your views by cable as to whether the inclusion of the proposal by Vickers to manufacture steel using Itabira property would be a controlling factor in awarding the contract for the shipyards.

LANSING

832.3421/42

*The Ambassador in Brazil (Morgan) to the Secretary of State*

No. 1324

RIO DE JANEIRO, July 22, 1918.

[Received August 20.]

SIR: Confidential. On May 21st [31st] the Embassy informed the Department in a confidential telegram of 3 p.m. that Sir W. G. Armstrong, Whitworth & Company, Ltd., and Vickers, Ltd., known as Vickers-Armstrong of England, had made a proposal to the Brazilian Government to erect a marine arsenal and works for the manufacture of arms, ammunition, iron and steel plates, etc.; for the building of all kinds of ships and the construction of airplanes and munitions of war. The proposal provided that the group should enjoy full liberty to accept private orders, ceding the necessary lands for the erection of said works and facilitating the exploitation of the iron and steel industry. On June 24th the Department replied to this telegram stating that American shipbuilders would probably be interested in making a proposal of a somewhat similar nature.

Upon examination the proposition proves to be more ambitious than my telegram represented and to call also "for the manufacture of material used in time of peace", which can only mean structural steel for building materials, rails and so forth. The proposal purports to be the result of an invitation from the Brazilian Government and the contract reveals that Vickers-Armstrong is to be granted a monopoly for fifty-five years, which the Government will finance. When the works are completed they will be leased to the constructors, although they will revert to the Government at the expiration of the lease. Raw and finished material can be imported from Great Britain without the payment of customs duties, which under the plea of being utilized in connection with the plants of Brazil, could cover many articles used in this country, which Vickers-Armstrong would not manufacture here.

The acceptance of the proposal of Messrs. Vickers-Armstrong would close the open door to many foreign products because in order to meet the interest which the Government would pay upon the investment it would be forced to place orders with the British concessionaires.

The contract provides that disputes between the contractors and the Government shall be settled by arbitration and the resulting concessions shall be tried in England and shall be subject to, and regulated and affected by, the order of the British Supreme Court.

The history of this proposal should be studied in connection with that of the Itabira Iron Ore Company, a British enterprise with head offices at London, incorporated by Rothschild, Baring Brothers

and Sir Ernest Cassel, which some time ago purchased the "Conceição" and "Esmeril" deposits of iron ore in the State of Minas Geraes for about \$600,000. This group also controls to a large extent the Victoria and Minas Railway which leads from the mines to the sea coast at Victoria in the State of Espirito Santo, north of Rio de Janeiro. These iron deposits, which are of excellent quality, are situated at Itabira de Matto Dentro, are estimated at 99,000,000 cubic meters and capable of producing 296,000,000 tons of ore.

The presentation of the Vickers-Armstrong proposition at this time is directly due to the presence of the Bunsen Mission in Brazil.<sup>10</sup> Sir Maurice de Bunsen asked the Foreign Minister to receive Mr. H. J. Lynch, the representative of Davidson, Pullen & Company, the Rio de Janeiro representative of Vickers, Ltd., together with Mr. Edwin Hime of F. H. Walters Company, the local representatives of Sir W. G. Armstrong, Whitworth & Company. A few days subsequently and while the Bunsen Mission was still in Brazil these gentlemen presented the draft contract.

This action should be accepted as a conclusive proof of the commercial and industrial purpose which animated that mission and of the intensity, directness and persistence of the present Brazilian drive, not only to secure a fair share for Britain of Brazilian commercial business but to establish monopolies, which as in the case of the monopoly of the Western Telegraph Company would jeopardize the commercial opportunities of other nations. This feature of the matter is one which the Department will not fail to observe and which is based on an objectionable principle, which is of far-reaching and threatening importance to those of our iron and steel manufacturers who together with the manufacturers who use those materials in construction works wish to hold the place to which they are entitled in the Brazilian and South American market.

I have [etc.]

EDWIN V. MORGAN

[Enclosure]

*Draft Contract between the Brazilian Government and Vickers-Armstrong of England*

Draft of a preliminary agreement made between the Brazilian Government (hereinafter called the Government), party of the first part, and Messrs. W. G. Armstrong, Whitworth & Co., Ltd., and Vickers, Ltd., (hereinafter called the contractors), party of the second part.

#### CLAUSE I

The contractors obligate themselves to undertake, in conformity with the Government's views, the construction and subsequent ex-

<sup>10</sup> For papers relating to the British mission referred to, see *Foreign Relations*, 1918, Supplement 1, vol. 1, pp. 685, 689, and 690.

plotation of an arsenal to be constructed on the most modern plans possible, the Government to grant all necessary concessions for the manufacture of arms and ammunition, the manufacture of iron and steel plates, etc., shipbuilding of all sorts, construction of aeroplanes, and the manufacture of all material for military needs, granting the contractors full liberty to accept any and all work for private parties; the Government undertaking the obligation to place with the contractors orders for everything which it may require that may be manufactured by the contractors, also to cede all the lands necessary for the construction of the arsenal and to grant all possible concessions for the exploitation of the iron and steel industries.

#### CLAUSE II

The Government shall deliver to the contractors sufficient and proper lands for the erection of the arsenal and for the other purposes designated in this contract.

The Government will also deliver to the contractors all Government arsenals and ships, etc., which are suitable to the fulfillment of the ends of this contract, as well as any additional lands, shops, machinery or other material necessary to the proper fulfillment of the said contract, all of which to be free from taxes and to be so held in trust by the contractors during the life of this contract.

#### CLAUSE III

The Government shall guarantee the contractors all necessary facilities for the rapid and economical construction of the arsenal. For this purpose the Government shall disappropriate waters, quarries, rights-of-way, and other holdings which may become necessary.

#### CLAUSE IV

Everything which relates to this contract shall be considered as belonging to the Federal Government, and as such subject to the same burdens and obligations, and shall enjoy the same advantages, exemptions and privileges as are peculiar to Government property and undertakings.

With the exception of the stamp tax, the contractors shall be exempt from all taxes or imposts of whatsoever nature, at present in force or which may be enacted, and all material and diverse objects imported by them, for the execution of the work as undertaken, in accordance with certificates signed by the Fiscal Commission, shall be exempt from all import duties and charges, including the tax of 2% gold for the conservation of the port.

## CLAUSE V

Work shall be begun immediately upon the signature of a definitive contract and shall be completed with the greatest possible urgency.

## CLAUSE VI

1. The Government shall make monthly payments to cover the certified expenditures on the work undertaken in Clause I until the conclusion of said work.

2. Such payments shall be made in Government gold bonds, freely negotiable, bearing interest at 5% per annum, to be amortized in 55 years from date of first payment.

3. The amount of interest during the first five years from the date of the first delivery of bonds, shall be paid in similar bonds and after that period, shall be paid in specie.

4. When payments are made in bonds the total of each monthly payment shall be increased by a sum, according to quotations, equal to the discount on Brazilian Government 5% Bonds of 1913 in the London market on the last day of the month preceding that in which such bonds are delivered. Example: If the sum total of the monthly payment should be . . . 70,000 pounds and the 1913 Loan be quoted at 70, the Government will deliver bonds to the amount of 100,000 pounds.

5. Bonds issued for the payment of this contract shall constitute a separate and distinct issue, free from all Brazilian taxation.

6. The Government may make payments in Treasury gold notes during the period of construction, provided such notes bear a declaration that they will be converted into regular bonds on or before the termination of the period of five years, to count from the date of first payment.

7. The delivery of all such bonds or Treasury notes shall be made to the contractors in England and the Government shall pay the cost of all stamps thereon.

## CLAUSE VII

Upon the completion of the work undertaken in Clause I the contractors shall take the same under lease from the Government, for a term of fifty-five years, to count from the first payment, for an annual rental equal to the amount of interest at 5% to be paid by the Government, in accordance with the stipulation in Clause VI, paragraph 2.

At the end of the sixth year, after the date of the first payment, the contractors shall pay an additional amount of  $\frac{1}{2}\%$  per annum,



as a reserve fund for the amortization of the total amount of bonds issued. This rental and the reserve fund shall be paid semi-annually in London to the financial representatives of the Government, fourteen days in advance of the due date for the payment of the interest on the bonds. The reserve fund, to be accumulated at the rate of  $\frac{1}{2}\%$  per annum, shall be invested semi-annually in the purchase of bonds when below par, or by lot when at par or above par.

#### CLAUSE VIII

The contractors shall have complete control of all work in the shops, docks, etc., and of the repair and construction work as stipulated in Clause I, during the full term of the lease. Upon the termination of said lease, and when all amounts due to the contractors shall have been paid, all of the property, in a perfect state of conservation shall revert to the Government without any indemnity whatsoever. Should the Government not desire to take over the management, this contract may be extended for a further fixed period of time, subject to such modifications as may be agreed upon.

#### CLAUSE IX

The contractors may undertake and execute orders for the repair and construction of merchant and private vessels, and participate in any subsidies and other concessions granted to stimulate maritime construction as a national industry, whether such be granted by the Federal or State Governments. The contractors shall also enjoy the same rights relative to the importation of material, machinery, etc., etc., as are enjoyed by private establishments in Brazil. The contractors may also under-take other work for which their equipment may be adequate.

#### CLAUSE X

The arrangements set forth in Clause IX shall be subject to the condition that all Government work shall have preference over all other work.

#### CLAUSE XI

The Government shall guarantee to the contractors the construction of a determined number of gross tons of steam or motor vessels per annum and also the repairing of all Brazilian men-of-war and other Government ships. The construction and repair of said ships shall be effected, always when possible, in the yards established by virtue of this contract. In case of construction in the yards of the contractors in England or elsewhere, the Government shall grant permission for said transfer.

## CLAUSE XII

1. Aside from the capital employed in the construction of the works enumerated in Clause I, the contractors shall provide a large sum to cover cost of material, provisions, combustibles, salaries, etc., the total of which cannot at present be determined. It is convenient to maintain the capital of construction (which shall be known as initial capital) separate and distinct from the capital secondarily mentioned (which shall be known as working capital).

2. Should the returns on all Government and outside work entrusted to the contractors not be sufficient to enable them (after the payment of salaries, wages, insurance, renewals and other expenses necessary to the maintenance and efficient working of the establishment) to pay the rental and reserve fund per annum—that is to say  $5\frac{1}{2}\%$  on the initial capital and a further 15% on the working capital—the Government shall pay to the contractors, in money, the amount of the yearly deficit.

## CLAUSE XIII

1. The Government may, at any time after the completion of the works enumerated in Clause I, upon six months' previous notice, annul the lease referred to in Clause VII, subject to the following terms and conditions:

2. By repaying to the contractors its working capital plus interest at 5% per annum together with any additional expense which they may have incurred or for which they may have rendered themselves liable, and by giving to the contractors a complete and full acquittance of all resultant claims or demands.

3. By assuming responsibility for all contracts made by the contractors, either in England or Brazil.

4. And, if necessary, by making agreements with the holders of the bonds or Treasury notes referred to in Clause VI and representing the initial capital.

## CLAUSE XIV

The contractors, during the period of lease referred to in Clause VII, will have preference for the construction of any other arsenals including fortifications with necessary armament, munitions, and magazines necessary for their defence, and for the fortifications, munitions and magazines of Rio de Janeiro or any other locality and also for the barracks, hospitals and quarters for the civil and military staffs of said arsenals and fortifications.

## CLAUSE XV

All of the works contemplated in this contract shall be executed in accordance with such plans and specifications as may be agreed upon.

The cost of the works shall be the actual cost to the contractors, plus an amount equal to 15% thereof, in order to insure to the contractors a commission, or profit, on the execution and completion of the works.

The contractors shall submit, for the Government's approval, an estimate of the cost of the works, as they progress, which estimate shall be agreed upon between the Government and the contractors as a working basis.

If the real cost of the works, after their termination, exceeds the estimated cost agreed upon, the constructors will not receive any commission or profit on the amount by which said cost exceeds the estimated cost.

If, on the other hand, the real cost of the works, after their termination, is less than the estimated cost agreed upon, the contractors will receive, from the Government, sum in excess of the calculated commission equal to one-half of the amount of economy effected.

It is evident that this condition is a guarantee that the work will be executed with the greatest despatch and economy and will also be a guarantee to the Government that it will not have to pay more than is necessary for the proper execution of the work.

The English Government has made many contracts on this basis and, with the difficulties and confusion peculiar to present conditions, cannot conceive of another plan which so well protects the interests of the Brazilian Government.

## CLAUSE XVI

If any doubt or misunderstanding should arise between the Government and the contractors relative to their rights and obligations as stipulated in any of the clauses of this contract, such doubt or misunderstanding shall, in due time and at the request of one of the parties, be submitted to and decided by two arbiters (one appointed by the Government and the other appointed by the contractors) together with a third party who shall be selected by the two already appointed, but before they shall have assumed their duties. The submission of their written judgment, at the request of one of the parties, shall be equivalent to an embargo or finding by any of the departments of H.B.M. Supreme Court of Justice, and the resultant concession or concessions shall be tried in England and be subject to, regulated and affected by all of the appeals, conse-

quences and effects of an arbitration made by order of said Supreme Court. In case the two arbiters cannot agree upon the nomination of the third, said third arbiter will be chosen by a Committee of the British Admiralty.

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832.3421/41 : Telegram

*The Ambassador in Brazil (Morgan) to the Secretary of State*

RIO DE JANEIRO, July 23, 1918, 1 p.m.

[Received July 24, 3.59 a.m.]

Confidential. Department's June 24, 2 p.m. Forwarded today in pouch number 20 by cruiser *Montevideo* text of Vickers Armstrong proposition, which would close the open door, covering 55-year monopoly of construction steel plant, shipyards, et cetera, with important ramifications. Itabira not controlling factor in awarding contract.

MORGAN

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832.3421/41 : Telegram

*The Secretary of State to the Ambassador in Brazil (Morgan)*

WASHINGTON, August 31, 1918, 6 p.m.

Your July 23, 1 p.m.

Text of Vickers Armstrong proposition given to Bethlehem Steel and other large American steel companies.

LANSING

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832.3421/41 : Telegram

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

WASHINGTON, December 10, 1918, 6 p.m.

Your confidential telegram dated June [July] 23, 1 p.m. referring Vickers Armstrong proposition. Ask Brazilian Government if it would consider proposition of American company regarding that project and report answer by telegraph. For your information would state that Bethlehem Steel is interested this matter.

POLK

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832.3421/44 : Telegram

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

RIO DE JANEIRO, January 8, 1919, 2 p.m.

[Received 4.42 p.m.]

Confidential. Department's December 10, 6 p.m. Vickers Armstrong proposition considered at recent Cabinet meeting. No determination reached, a field open for other propositions. Recom-

mend that Bethlehem Steel or other interested parties present propositions here and open negotiations with Vickers Armstrong principals looking to a combination with them. Have reason to believe that Brazilian Government prefers that matter should be treated by Anglo-American group and that the matter may be taken up by the Brazilian peace delegation at Paris.

MORGAN

832.3421/45 : Telegram

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

RIO DE JANEIRO, February 13, 1919, 2 p.m.

[Received 4.50 p.m.]

Embassy's January 8, 2 p.m. Da Gama<sup>15</sup> informs me that Brazilian law would support a proposition from an Anglo-American group covering matters contained in Vickers Armstrong proposal forwarded in Embassy's despatch number 1324 of July 22nd, 1918. Government would prefer joint participation rather than a monopoly by a single nation. This matter should be given immediate attention to prevent Vickers Armstrong from pushing their proposal through.

MORGAN

832.3421/48

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

No. 1494

RIO DE JANEIRO, May 9, 1919.

[Received June 5.]

SIR: The two enclosures to this despatch contain a translation of the portion of the Annual Message to Congress, delivered on May 3rd, of the Acting-President of Brazil,<sup>16</sup> relative to the construction of a new naval base and the summary of an interview on that subject which the Minister of Marine gave a representative of the *Jornal do Brazil* subsequent to the publication of the said message.

These two extracts indicate that the construction of the arsenal is one in which the Government is deeply interested. This is relative to the proposal of Vickers-Armstrong, a translation of which was forwarded to the Department in my despatch No. 1324 of July 22nd, 1918, and which the Department subsequently informed me had been handed to the Bethlehem Steel Company for study.

<sup>15</sup> Brazilian Minister for Foreign Affairs.

<sup>16</sup> Dr. Epitacio da Silva Pessoa.

If American corporations intend to take part in this construction they should lose no time in giving the matter their earnest attention. The presence in Brazil of Mr. William S. Barclay, the representative of the Federation of British Industries, is undoubtedly connected with the Vickers-Armstrong proposition from which we may expect to hear again at any moment.

I have [etc.]

EDWIN V. MORGAN

[Enclosure 1—Translation]

*Extract from the Annual Message of President Pessoa to Congress,  
May 3, 1919*

It is impossible to have an efficient marine without properly equipped and situated naval bases. Our resources do not permit us to solve this problem entirely but we should not delay in erecting the first of such naval bases—which should be the most important of a series—possessing a capacity to meet the requirements of our fleet, in any emergency, in order to avoid the necessity of our applying to foreign establishments for help. We shall not require large sums of money for this purpose for we should give to our Arsenal an industrial character and adopt therein a financial system whereby a moderate interest on the capital would guarantee the sums spent on erection; the shops ought to be self supporting when not in actual operation for the Navy. It would be wise, also, that facilities should be given to the Arsenal to produce iron and steel, thus placing the producing and consuming plant side by side.

The expense of this undertaking will bring in as good returns as any of the public works. Our Arsenal would be in a position, in war time, to supply us with the entire necessities for our naval defense; in peace time its activities would be directed toward the greater progress of the country, by the construction of merchant ships, locomotives, rails, etc., thus reducing expenses in order to effect the payment of the guaranteed interest above mentioned. Military defense would thus be allied to economic defense, war industries to pacific enterprises—and this problem would be solved in a manner which would correspond to the present necessities of the world situation and to our actual financial situation. The yearly expense would not greatly exceed the sum which we expend at present on our naval installations.

Great discussion has arisen over the locality of this base, the general idea in naval circles being that it should be away from Rio de Janeiro. In the beginning of the year the Minister of Marine, desiring to find out the opinions of the admirals on this point, in order to obtain for the Government the advice of experts, called

a meeting of the Council of the Admiralty. At this session [over] which he presided, it was unanimously decided that this naval base should not be constructed in the port of Rio de Janeiro; a large majority voted for its construction in the Ilha Grande bay.

There are many reasons, besides military ones, why this situation should be adopted. There are many waterfalls on the island which could be made to supply power sufficient for the entire plant; we would thus not have to depend on foreign coal. Another advantage lies in the fact that it is connected by railways under construction (and other[s] authorized but not actually under construction) with the regions producing iron and manganese—which facilitates the plan of operating referred to above.

It has been exclusively owing to the reduced appropriations of the budget that our equipment has become as inadequate as it is; perhaps it would be more correct to attribute this inadequacy to the lack of proper shops and yards which would permit us to turn to better account the sums voted to the Navy.

As long as we leave this problem—of the construction of naval bases—unsolved, and do not make a start in this direction by building the first of a series of arsenals, the efficiency of our fleet will be materially impaired.

[Enclosure 2—Translation]

*Interview with the Brazilian Minister of Marine (Alencar) published in the "Jornal do Brazil," May 6, 1919*

We are absolutely dependent upon other countries for equipping our naval defense and are less advanced in this respect than were the Portuguese settlers in colonial times. These possessed Naval bases at different points along the coast. There were Navy Yards in Para, Pernambuco, Rio de Janeiro and Santos which were prepared to make the needed repairs. Today, we have a more up-to-date fleet, but we lack the necessary equipment for its upkeep. It is essential that we possess the means to manufacture readily any piece of machinery or make any repair that a "dreadnought" may need.

It is with this in mind that we are formulating plans for establishing five Naval bases along the coast. We are in sore need of such bases. The Naval Staff are carefully studying the grounds before determining upon the sites. Rio de Janeiro, it is agreed, shall not be included among these bases, for in time of war the enemy could there cripple the fleet as well as control the port and seize the seat of Government. Although this will be an under-

taking of magnitude, it does not necessarily involve the expenditure of large sums by the Government. The latter will simply assist private capital to establish these bases. With a guarantee of a certain dividend upon the amounts invested, it should not be difficult to interest men of wealth and ability. These concerns would have the privilege of engaging in the exploitation of ores and the construction of merchant ships, or of following any other industrial pursuit. Thus in time of war, the necessary equipment for the maintenance of the fleet would be available while in time of peace these bases would serve their purpose economically.

These naval bases will be under the direct supervision of the Government with the proviso that they may be taken over later if so desired.

This plan will mean economic and industrial progress in the country and provide for the construction of a merchant fleet, of locomotives and everything which pertains to iron and steel. Some of us may object on the ground that we have no coal, but such conclusions do not appear logical for we have iron and manganese ore, and we simply need to import coal to transform these raw products into manufactured articles.

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832.3421/48 : Telegram

*The Secretary of State to the Ambassador in Brazil (Morgan)*

WASHINGTON, August 16, 1919, 1 p.m.

Your January 8, 2 p.m., February 13, 2 p.m. and No. 1494 May 9. Department understands Vickers Armstrong offer to admit Bethlehem Steel participate basis third each company. Department greatly prefers American interests control half or more. Bethlehem company will take third, half, or all. If choice lies between third and none, both Department and company greatly prefer third. Cable your opinion whether advisable try get more.

LANSING

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832.3421/53 : Telegram

*The Ambassador in Brazil (Morgan) to the Secretary of State*

RIO DE JANEIRO, August 26, 1919, 1 p.m.

[Received 5.25 p.m.]

Department's August 16, 1 p.m. Brazilian representative Bethlehem Steel has conferred with President, who after conferring with Ministries of War, Navy and Public Works, will express his opinion as to proportion in which interested nations should partici-



pate. Cannot express an opinion whether we should try to control one half or more until after President's wishes are known.<sup>17</sup>

MORGAN

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<sup>17</sup>No further report was received on this point. On June 12, 1920, the Ambassador reported by telegram: "Contract for construction of Brazilian naval arsenal will be awarded after open competition. Naval commission now studying specifications. A very active British-American group, Armstrong-Bethlehem-Vickers, assisted by experts, are furnishing data to commission." (File No. 832.3421/58.)

## CANADA

### FISHERIES AND RELATED QUESTIONS<sup>1</sup>

Negotiations for a Convention, Signed September 2, 1919, for the Protection, Preservation, and Propagation of Salmon—Transmission to and Withdrawal from the Senate

711.428/494

*The British Chargé (Barclay) to the Acting Secretary of State*

No. 143

#### MEMORANDUM

His Britannic Majesty's Chargé d'Affaires presents his compliments to the Acting Secretary of State and has the honour to inform him that a communication has been received from the Governor General of Canada stating that His Majesty's Ministers are informed that the United States Government have found it desirable to submit to the legislature of the State of Washington the Draft Treaty and Regulation<sup>2</sup> prepared by the Internal [*International*] Fisheries Commission which considered the settlement of the outstanding fisheries questions between Canada and the United States, although the Federal Governments of both countries have not yet finally dealt with the Treaty and Regulations.

The Duke of Devonshire adds that the proposed Treaty and Regulation have not yet been made public in Canada and that in view of the work of the Salmon Fishery and the Canning Industry for the next season being about to commence, the Minister of Naval Service is most anxious that those engaged in the fishing industry should be informed of the regulations in the Treaty proposed.

The Canadian Government propose that the Draft of the Fraser River Regulations and the substance of the terms of the Draft Treaty should be made public this week by both Governments, but that until both Governments have finally considered the report of the Commission and arrangements made for its publication agreed upon, no portion of it should be made public.

The Governor General of Canada would be grateful for a reply to the above at the earliest possible convenience of the United States Government.

WASHINGTON, *February 24, 1919.*

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<sup>1</sup> See also *Foreign Relations*, 1918, p. 432 ff.

<sup>2</sup> *Ibid.*, pp. 476 ff.

711.428/494

*The Acting Secretary of State to the British Chargé (Barclay)*

## MEMORANDUM

The Acting Secretary of State of the United States has the honor to acknowledge the memorandum of His Britannic Majesty's Chargé d'Affaires, and in reply thereto to say that the Governor General of Canada and His Majesty's Ministers would seem to be misinformed as to the extent to which the recommendations of the American-Canadian Fisheries Conference, relating especially to the draft treaty and regulations concerning the sockeye salmon fishery, have been communicated to the Legislature of the State of Washington. The text of the treaty recommended by the conference has not been made public, but at the suggestion of the American members of the conference, who stated that the officials of the State of Washington desired during the present session of its Legislature to make any changes in the local statute which might be necessary to assist in carrying out the purposes of the proposed treaty, a copy of that portion of the conference report relating to the sockeye salmon fishery,<sup>3</sup> together with a copy of the proposed regulations recommended by the conference was forwarded by the American members of the conference to the Governor of Washington. It is doubtless this action which has given rise to the report received through the Governor General of Canada that the treaty and regulations had been submitted to the Legislature of the State of Washington.

The Government of the United States sees no objection, but on the contrary considerable advantage, in making known to those engaged in the fishing industry the provisions of the proposed regulations, and accordingly would be glad to arrange with His Majesty's Government for the publication of these regulations. The Government of the United States suggests, however, that the representatives of both Governments should agree upon the exact text of these regulations before they are made public, and is now prepared to discuss this matter informally with the representatives of His Majesty's Government at any time.

With regard to the publication of the terms of the draft treaty, the substance of which His Majesty's Government suggests should be made public at the same time as the regulations, the Government of the United States expresses the view that it would be preferable to restrict such publication of the terms of the proposed treaty to a

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<sup>3</sup> *Foreign Relations*, 1918, pp. 457-468.

very summary statement of the substance in view of the fact that the text has not as yet been agreed upon by both governments.

WASHINGTON, *February 25, 1919.*

711.428/503

*The Washington State Fish Commissioner (Darwin) to the Acting Secretary of State*

SEATTLE, *March 7, 1919.*

[*Received March 12.*]

DEAR SIR: Beg to advise you that the Legislature of the State of Washington will not enact a law containing the proposed provisions of the treaty now in process of negotiation between the United States and the Dominion of Canada, relative to the sockeye fishery.

You sent the proposed provisions to the Governor of the State who laid them before the Legislature. That body will adjourn next Thursday, March 13th, and has already decided not to enact any fish legislation at this session.

Respectfully,

L. H. DARWIN

711.428/506

*The British Ambassador (Reading) to the Acting Secretary of State*

No. 213

MEMORANDUM

His Britannic Majesty's Ambassador presents his compliments to the Acting Secretary of State and with reference to the memorandum from the Department of State of the 25th of February last, on the subject of the proposed publication of the draft treaty and regulations prepared by the International Fisheries Conference, has the honour to inform him that a communication has been received from the Governor-General of Canada stating that, while it is hoped by the Minister of the Naval Service that the two Governments will find it possible to deal finally with the whole report of the Conference at an early date, he considers it eminently desirable that those engaged in the fishing industry in the Fraser River system should know the nature of the proposals that are under consideration, in order that, as far as is feasible, they may govern themselves accordingly, and that, as there may be some modifications in form of both the treaty and regulations, the best course to pursue would be for the two Governments to publish an identic *précis* of the proposed treaty and regulations.

The Canadian Minister of the Naval Service has therefore approved of the *précis*, a copy of which is enclosed herein, and His Majesty's Ambassador will be grateful if the Acting Secretary of State would inform him if the United States Government approve of this, in order that the Canadian Government may be advised by telegraph of the date on which it should be made public in both countries.

WASHINGTON, *March 19, 1919.*

[Enclosure]

*Précis, for Publication, of Draft Treaty and Regulations for the Fraser River System of Sockeye Salmon Fisheries*

One of the subjects that was referred to the Canadian-American Fisheries Conference, which was appointed last year to consider a settlement of outstanding fishery questions between Canada and the United States, was the Rehabilitation and Protection of the Sockeye Salmon of the Fraser River System, which system embraces the waters of Juan de Fuca Strait and the lower portion of the Gulf of Georgia, as well as the Fraser river itself.

The Commissioners unanimously recommended to their respective Governments that a treaty for the proper regulation and protection of this fishery be entered into forthwith, and in order to facilitate consideration of the matter, they submitted a draft of a proposed treaty and regulations thereunder. The following is a synopsis thereof:

The proposed Treaty provides that it will apply only to the sockeye salmon fisheries of the Fraser River System, which embraces Juan de Fuca Strait, the southern portion of the Gulf of Georgia and the Fraser river; that the Federal Governments of both countries will be responsible for the enforcement of the regulations under it; that an International Commission, consisting of four persons, two from each country, shall be appointed to conduct investigations into the life history of sockeye salmon, hatchery methods, spawning grounds and other related conditions, which Commission could also recommend, for the consideration of the two Governments, modifications in the regulations that experience may indicate as desirable; and that the Treaty shall remain in force for fifteen years, and thereafter until either Government wishes to discontinue it.

The Regulations contemplate the licensing of the fisheries by Canada and the State of Washington, respectively, as heretofore; that no greater number of licenses for any class of fishing shall hereafter be issued in Washington State than was granted in 1918, and that no more than 1800 gill-net licenses shall be granted on the

Canadian side; that licenses shall be restricted in Canada to resident Canadians in British Columbia, or to companies licensed to do business in the province, and in Washington State to resident American citizens or to companies authorized to do business in the State; that fishing shall be restricted in the Fraser river to the portion thereof below Mission Bridge, and that only *bona fide* resident land holders, living along the river between New Westminster and Mission Bridges, shall be allowed to fish in that portion of that river; that from 1919 to 1926 inclusive, there will be an annual close time for all salmon fishing from the 20th to the 31st July inclusive; that the weekly close time on both sides shall be thirty-six hours, except above New Westminster Bridge, where it shall be sixty hours; that traps shall not be more than 2,500 feet long, with end passageways of 600 feet, and lateral passageways of 2,400 feet, and in no instance block more than two-thirds of the channel; that purse-seines shall not exceed 1,900 feet in length, and their use shall be restricted to westward and southward of a line drawn from Trial Island Light, British Columbia, to the North West Point of Whidby Island, and that gill-nets shall not exceed 900 feet in length and sixty meshes deep.

OTTAWA, *March 7, 1919.*

711.428/506a

*The Acting Secretary of State to the British Ambassador (Reading)*

WASHINGTON, *March 21, 1919.*

EXCELLENCY: As you are no doubt aware, the Government of the United States and the Government of Canada, appointed Commissioners to confer in respect to certain questions relating to the fisheries in contiguous waters which had been under discussion by our Governments. My Government has given consideration to the report of this conference, and as a result has drawn up a tentative draft of a convention between Great Britain and the United States concerning the Sock-eye salmon fisheries, a copy of which I enclose for submission to your Government as a basis for negotiation.<sup>4</sup> On account of the depleted condition of the Sock-eye salmon fisheries in the boundary waters, and in the Fraser River system, I am anxious to conclude, if possible, a convention for the conservation and propagation of the salmon fishes in time to lay the convention before the next session of the Senate, which will perhaps convene during the coming summer. May I ask, therefore, that you will present

<sup>4</sup>Not printed; except for the changes accounted for in intervening correspondence, the draft is identical with the text signed on Sept. 2, p. 229.

to Your Government my wish that the negotiation of the proposed convention be taken up at the earliest possible date.

Accept [etc.]

FRANK L. POLK

711.428/506

*The Acting Secretary of State to the British Ambassador (Reading)*

The Acting Secretary of State presents his compliments to His Britannic Majesty's Ambassador and with reference to the memorandum from the British Embassy dated March 19, 1919, on the subject of the proposed publication of the draft treaty and regulations for the protection of the sockeye salmon in the Fraser River System, prepared by the International Fisheries Conference, has the honor to inform him that the identic *précis* enclosed therein is entirely satisfactory to the Government of the United States. The Acting Secretary of State suggests that this *précis* be made public by both Governments on Monday, March 31, 1919, and requests to be informed if this date is not satisfactory to the British Government.

WASHINGTON, *March 25, 1919.*

711.428/519

*The British Chargé (Barclay) to the Acting Secretary of State*

No. 365

WASHINGTON, *May 20, 1919.*

SIR: With reference to your note of March 21st, enclosing copy of a tentative draft of a Convention between Great Britain and the United States concerning the Sockeye Salmon Fisheries, I have the honour to transmit, herewith, copies of an Approved Minute of the Privy Council for Canada, which I have received from the Governor General, representing that the draft enclosed in your above mentioned note is acceptable to the Canadian Government with certain modifications noted in the Minute.

I have [etc.]

COLVILLE BARCLAY

[Enclosure]

*Minute of the Privy Council for Canada, Approved May 6, 1919*

The Committee of the Privy Council have had under consideration a Report, dated 29th April, 1919, from the Acting Secretary of State for External Affairs, to whom was referred a despatch from His Majesty's Ambassador at Washington to Your Excellency, dated the 25th March, 1919, forwarding copy of a communication dated the 21st March, 1919, from the Acting United States Secretary of State covering copy of a tentative draft convention between Great Britain and the United States relating to the sockeye salmon

fisheries,—representing with the concurrence of the Minister of Marine and of the Acting Minister of Justice, that this draft is acceptable with certain modifications noted below:—

1. In the first line of the preamble, it is considered that in conformity with the remainder of the draft, the First Party to the Convention should be described as the President of the United States, instead of “The United States.”

2. The concluding sentence of Article 2<sup>o</sup> is ambiguous. The reframing thereof as follows is suggested:

“Each of the High Contracting Parties may by appropriate legislation provide for the trial, conviction and punishment within his jurisdiction of any person found there who has contravened any provision of this Convention or of the said regulations within the jurisdiction of the other High Contracting Party, and who has not been punished for the said offence within the latter jurisdiction.”

3. As it is eminently desirable that the Commission should be appointed with as little delay as practicable, two months after the exchange of ratifications seems a sufficient time in which to appoint the Commission provided for in Article 4.

4. It is suggested that the word “treaty” in the third line of Article 4 be changed to “Convention”, and that as this latter word seems to more aptly describe an agreement of this sort, it be used throughout instead of the word “treaty”.

5. In the second paragraph of Article 6, it is provided that the High Contracting Parties by special agreement upon the recommendation of the Commission, may make “modifications” in the regulations, while in Article 5, the terms “additions to” and “substitutions for” are used. It is considered well that these terms should be also included in this paragraph. The following wording for the first five lines of this paragraph is suggested:

“It shall, however, at any time, be in the power of the High Contracting Parties, by special agreement upon the recommendation of the International Fisheries Commission, to make modifications of, additions to, or substitutions for, the regulations in force, and/or to make the provisions of this Convention, etc. . . .”

6. In section 2 of the Regulations, in the definition of “treaty waters” the words “section 2 [3]” in the second line, should be “Article 3”.

7. In paragraph (b) of section 3 of the Regulations, the words “British Columbia” should be replaced by the word “Canada”.

8. In paragraph (d) of the said section 3, the word “one” is omitted after the first word.

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<sup>o</sup> In the draft: “Each of the High Contracting parties may, by appropriate legislation, provide for the punishment of any persons who violate the provisions of this treaty and/or said regulations within the jurisdiction of one of the High Contracting parties and then seek refuge in the territory of the other High Contracting party.”



The Minister recommends that this draft, with the above recited modifications, be accepted by the Canadian Government.

The Committee concurring, advise, on the recommendation of the Acting Secretary of State for External Affairs, that Your Excellency may be pleased to forward copy hereof to His Majesty's Ambassador at Washington, for communication of its purport to the United States Government.

All which is respectfully submitted for approval.

RODOLPHE BOURDEAU  
*Clerk of the Privy Council*

711.428/519

*The Acting Secretary of State to the British Chargé (Barclay)*

No. 356

WASHINGTON, June 9, 1919.

SIR: With reference to your note of May 20, 1919, enclosing copies of an Approved Minute of the Privy Council for Canada, recommending, with certain slight modifications mentioned in said Minute, the acceptance of the draft Convention between Great Britain and the United States concerning the sockeye salmon fisheries, submitted to you in my note of March 21, 1919, I have the honor to say on behalf of the Government of the United States that there is no objection to the amendments suggested with the exception of the first amendment. It is suggested in the Minute that the words "President of the United States" be substituted for the words "the United States" in the preamble of the Convention, but in accordance with the practice in treaties negotiated by my Government in the past, the preamble should read as stated in my note of March 21, 1919, "The United States of America, and His Majesty, George V," et cetera.

The American members of the American Canadian Fisheries Conference have called attention to the fact that in Section VI of the regulations attached to the Convention, it is provided that the annual closed season from July 20 to July 31 shall be effective during the years 1919 to 1926, both inclusive, and that since it may be impossible to put the Convention and the regulations in force before July 20, 1919, it may be well to change the period to run from 1920 to 1927, both years inclusive.

I understand that this point has been taken up informally by Doctor Hugh M. Smith, former American member of the Conference, and Mr. William A. Found, Superintendent of Fisheries of Canada, and that they favor this change. I accordingly suggest that the first sentence of Section VI of the regulations contain the dates "1920 to 1927" instead of "1919 to 1926."

Will you kindly inform me whether the conclusion regarding the two points above mentioned meets with the approval of your Government.

Accept [etc.]

FRANK L. POLK

711.428/523

*The Acting Secretary of State to the British Chargé (Lindsay)*<sup>7</sup>

WASHINGTON, June 18, 1919.

SIR: With reference to your notes of May 20, 1919, and June 3, 1919,<sup>8</sup> and my note of June 9, 1919, regarding the draft of a Convention between Great Britain and the United States, concerning the Sockeye Salmon Fisheries, I beg to call your attention to a minor change which it seems to me should be made in Paragraph C of Section 3 of the Regulations transmitted in your note of May 20, 1919. In the description of the stock company or corporation to which licenses by the State of Washington may be issued, it is provided that "a majority of the stockholders" of such company shall be American citizens. It would be more accurate to say: "the holders of a majority of the stock", and my Government accordingly desires to have that change made in the draft.

I have to-day received by cable the text of the full power signed by the President on June 9, 1919, authorizing me to sign the Sockeye Salmon Fisheries Treaty. Accordingly, as soon as I shall have received a favorable answer from your Government with regard to the suggestions contained in this note and my note of June 9, 1919, I foresee no obstacles to proceeding to the final steps in the negotiation of this Treaty.

Accept [etc.]

For the Acting Secretary of State:

WILLIAM PHILLIPS

711.428/527

*The British Chargé (Lindsay) to the Acting Secretary of State*

No. 469

WASHINGTON, June 21, 1919.

SIR: With reference to your note No. 356 of the 9th instant, making further suggestions with regard to the draft Convention between Great Britain and the United States relative to the sockeye salmon fisheries, I have the honour to inform you that I have received a communication from the Governor General of Canada representing

<sup>7</sup> Ronald C. Lindsay became Chargé on June 11, 1919.

<sup>8</sup> Not printed.

that the two slight modifications suggested by you are acceptable to the Canadian Government.

The Canadian Government will be glad to learn when it is expected that the Draft Treaty will be ready for signature.

I have [etc.]

R. C. LINDSAY

711.428/519

*The Secretary of State to the British Chargé (Lindsay)*

No. 357

WASHINGTON, August 25, 1919.

SIR: I have your note of August 23, 1919,<sup>8</sup> regarding the signature of the proposed Convention for the protection of the sockeye salmon fishery. The suggestion that the signature of this Convention take place on September 2, 1919, is entirely acceptable to me, and I suggest that the hour be made 11.15 in the morning.

Complying with your oral request that I forward to you a copy of the text of the proposed Convention, which I enclosed in my note of July 15, 1919, I take pleasure in enclosing a duplicate herewith.<sup>9</sup>

Referring to the conversation between you and a representative of this Department this morning, and to the oral agreement then reached as to a minor change in paragraph (c) of Section 3 of the regulations attached to the proposed Convention, I beg to say that I am having the final draft of the Treaty drawn to include the change above mentioned which consists in inserting the words underlined [*italicized*] in the following quotation, which appears below as it will appear in the final text:

“No license shall be granted to any person or partnership *in the State of Washington* unless such person or each member of such partnership shall be an American citizen, resident in said state, and no license shall be granted to any joint stock company or corporation *in said state*, unless the officers, directors, and the holders of a majority of the stock thereof, are American citizens, or unless it is authorized to do business in the said state; and no license shall be granted to any person, company or firm in the Province of British Columbia, unless such person is a British subject resident in the said province, or unless such company or firm is a Canadian company or firm, or is authorized by the Provincial Government to do business in the said Province of British Columbia.”

I shall be glad if you will confirm in writing the orally expressed consent of your Government to this change.

Accept [etc.]

ROBERT LANSING

<sup>8</sup> Not printed.

<sup>9</sup> Department's note of July 15 not printed; text of convention substantially the same as that signed Sept. 2, p. 229.

711.428/534

*The British Chargé (Lindsay) to the Secretary of State*

No. 636

WASHINGTON, August 29, 1919.

SIR: I duly brought to the notice of the Canadian Government the contents of your Note No. 357 of the 25th instant, informing me of a clerical error in the text of the Sockeye Salmon Convention.

I have now the honour to inform you that I have received a telegram from the Governor General of Canada stating that the Government of Canada concurs in the corrections.

I have [etc.]

R. C. LINDSAY

711.428/536a

*The Secretary of State to President Wilson*

THE PRESIDENT: The undersigned the Secretary of State has the honor to lay before the President with a view to its transmission to the Senate, if his judgment approve thereof, to receive the advice and consent of the Senate to its ratification, a Convention signed September 2, 1919, between the United States and Great Britain, providing effective measures for the protection, preservation and propagation of the salmon fishes in the waters contiguous to the United States and the Dominion of Canada, and in the Fraser River System.

Respectfully submitted,

ROBERT LANSING

WASHINGTON, September 2, 1919.

[Enclosure]

*Convention between the United States of America and Great Britain, Signed at Washington September 2, 1919*<sup>10</sup>

The United States of America, and His Majesty George V, of the United Kingdom of Great Britain and Ireland, and of the British Dominions beyond the Seas, King, Emperor of India, equally recognizing the desirability of uniform and effective measures for the protection, preservation and propagation of the salmon fisheries in the waters contiguous to the United States and the Dominion of Canada, and in the Fraser River System, have resolved to conclude a convention for this purpose, and have named as their Plenipotentiaries:

The President of the United States of America, the Honorable Robert Lansing, Secretary of State of the United States of America, and

<sup>10</sup> Transmitted to the Senate by President Wilson on Sept. 3, 1919; withdrawn Jan. 15, 1920.

His Britannic Majesty, the Honorable Ronald Lindsay, His Chargé d'Affaires at Washington, and the Honorable Sir John Douglas Hazen, a Knight Commander of the Most Distinguished Order of St. Michael and St. George, Chief Justice of New Brunswick, and a member of His Privy Council for Canada,

who, having exhibited their full powers, found to be in due form, have agreed to and signed the following articles:—

#### ARTICLE I

The times, seasons and methods of sockeye salmon fishing in the waters specified in Article III of this Convention, and the nets, engines, gear, apparatus and appliances which may be used therein, shall be limited to those which are specified in the regulations appended hereto, and/or which may be specified in revised, modified or substituted regulations provided for in Article VI, and promulgated in accordance with the terms of Article II.

#### ARTICLE II

The High Contracting Parties engage to put into operation and enforce by legislative and executive action, with as little delay as possible, the provisions of this Convention and said regulations, and the date when the said regulations shall be put into operation shall be fixed by concurrent proclamations of the President of the United States, and of the Governor General of the Dominion of Canada in Council. Each of the High Contracting Parties may, by appropriate legislation, provide for the trial, conviction and punishment within its jurisdiction, of any person found there who has contravened any of the provisions of this Convention, and/or said regulations within the jurisdiction of the other High Contracting Party, and who has not been punished for such offence within the latter jurisdiction.

#### ARTICLE III

It is agreed that the provisions of this Convention and of said regulations shall apply to the waters included within the following boundaries:

Beginning at Carmanagh Lighthouse on the southwest coast of Vancouver Island, thence in a straight line to a point three marine miles due west astronomic from Tatoosh Lighthouse, Washington, thence to said Tatoosh Lighthouse, thence to the nearest point of Cape Flattery, thence following the southerly shore of Juan de Fuca Strait to Point Wilson, on Quimper Peninsula, thence in a straight line to Point Partridge on Whidbey Island, thence following the

western shore of the said Whidbey Island, to the entrance to Deception Pass, thence across said entrance to the southern side of Reservation Bay, on Fidalgo Island, thence following the western and northern shore line of the said Fidalgo Island to Swinomish Slough, crossing the said Swinomish Slough in line with the track of the Great Northern Railway, thence northerly following the shore line of the mainland to Point Grey at the southern entrance to Burrard Inlet, British Columbia, thence in a straight line to the southern end of Gabriola Island, thence to the southern side of the entrance to Boat Harbor, Vancouver Island, thence following the eastern and southern shores of the said Vancouver Island to the starting point at Carmanagh Lighthouse, as shown on the United States Coast and Geodetic Survey Chart No. 6300, as corrected to July 20, 1918, and also the Fraser River and its tributaries.

The High Contracting Parties engage to have prepared, as soon as practicable, charts of the waters described in this Article, with the international boundary line indicated thereon; and to establish such buoys and marks for the purposes of this Convention as may be recommended by the Commission referred to in Article IV.

#### ARTICLE IV

The High Contracting Parties agree to appoint within two months after the exchange of ratifications of this Convention, a Commission to be known as the International Fisheries Commission, consisting of four persons, two to be named by each party. This Commission shall continue to exist so long as this Convention shall be in force. Each party shall have the power to fill, and shall fill, from time to time, any vacancy which may occur in its representation on the Commission. Each party shall pay its own Commissioners, and any joint expenses shall be paid by the Two High Contracting Parties in equal moieties.

#### ARTICLE V

The International Fisheries Commission shall conduct investigations into the life history of the salmon, hatchery methods, spawning ground conditions and other related matters, and shall observe the operation of the said regulations appended hereto, and shall recommend to their respective Governments any modifications of, additions to, or substitutions for, the appended regulations which may be found desirable.

#### ARTICLE VI

The regulations appended to this Convention shall remain in force for a period of eight years from the date of their promulgation, as

provided in Article II, and thereafter until one year from the date when either of the High Contracting Parties shall give notice to the other of its desire for their revision, or until the termination of this Convention, whichever shall first occur. Immediately upon such notice being given, the International Fisheries Commission shall proceed to make a revision of said regulations, which revised regulations shall be incorporated in a special agreement between the High Contracting Parties. It is understood that such special agreement shall on the part of the United States be made by the President of the United States, by and with the advice and consent of the Senate thereof. Such special agreement shall be binding only when confirmed by the two Governments by an exchange of notes. Such special agreement shall be promulgated as provided in Article II hereof, and shall remain in force for a period of five years and thereafter until one year from the date when a further notice of revision is given as above provided in this Article, or until the termination of this Convention, whichever shall first occur.

It shall, however, at any time, be in the power of the High Contracting Parties by special agreement upon the recommendation of the International Fisheries Commission, to make modifications of, additions to, or substitutions for any of the regulations in force, and/or to make the provisions of this Convention, and any regulations promulgated in accordance with the terms thereof, operative in the waters specified in Article III of this Convention, as to any or all of the other species of salmon, including steelhead. It is understood that such special agreement shall on the part of the United States be made by the President of the United States, by and with the advice and consent of the Senate thereof. Such special agreement shall be binding only when confirmed by the two Governments by an exchange of notes. Such special agreement shall be promulgated as provided in Article II hereof.

#### ARTICLE VII

This Convention shall remain in force for a period of fifteen years, and thereafter until two years from the date when either of the High Contracting Parties shall give notice to the other of its desire to terminate this Convention.

#### ARTICLE VIII

The present Convention shall be duly ratified by the President of the United States, by and with the advice and consent of the Senate thereof, and by His Britannic Majesty, and the ratifications shall be exchanged at Washington as soon as practicable.

IN FAITH WHEREOF, the respective plenipotentiaries have signed the present Convention in duplicate and thereunto affixed their seals.

DONE at the City of Washington this second day of September, in the year one thousand nine hundred and nineteen.

ROBERT LANSING	[SEAL]
R. C. LINDSAY	[SEAL]
J. D. HAZEN	[SEAL]

## APPENDIX

### INTERNATIONAL REGULATIONS FOR THE PROTECTION AND PRESERVATION OF THE SOCKEYE SALMON FISHERIES OF THE FRASER RIVER SYSTEM

#### SECTION 1

The following regulations shall apply to the waters described in Article III of the Convention of September 2, 1919, between the United States and Great Britain, to which these Regulations are appended, to wit:

Beginning at Carmanagh Lighthouse on the southwest coast of Vancouver Island, thence in a straight line to a point three marine miles due west astronomic from Tatoosh Lighthouse, Washington, thence to said Tatoosh Lighthouse, thence to the nearest point of Cape Flattery, thence following the southerly shore of Juan de Fuca Strait to Point Wilson, on Quimper Peninsula, thence in a straight line to Point Partridge on Whidbey Island, thence following the western shore of the said Whidbey Island to the entrance to Deception Pass, thence across said entrance to the southern side of Reservation Bay, on Fidalgo Island, thence following the western and northern shore line of the said Fidalgo Island to Swinomish Slough, crossing the said Swinomish Slough in line with the track of the Great Northern Railway, thence northerly following the shore line of the mainland to Point Grey at the southern entrance to Burrard Inlet, British Columbia, thence in a straight line to the southern end of Gabriola Island, thence to the southern side of the entrance to Boat Harbor, Vancouver Island, thence following the eastern and southern shores of the said Vancouver Island to the starting point at Carmanagh Lighthouse, as shown on the United States Coast and Geodetic Survey Chart No. 6300, as corrected to July 20, 1918, and also the Fraser River and its tributaries.

#### SECTION 2

Definitions. "Drift-net" shall mean a floating gill-net that is neither anchored nor staked, but that floats freely with the tide or current.



“Trap-net” shall include a pound-net.

“Commission” shall mean the International Fisheries Commission, appointed under the Convention to which these Regulations are appended.

“Treaty waters” shall mean all waters described in Article III of the Convention to which these Regulations are appended.

### SECTION 3

(a) Fishing for sockeye salmon in the treaty waters within the territorial limits of the State of Washington, shall not be permissible except under license from such State, and in the treaty waters of Canada except under license under the provisions of the Fisheries Act of Canada.

(b) No greater number of licenses for any class of fishing appliance shall be authorized in any year in the treaty waters within the territorial limits of the State of Washington than were issued for such class for the season of 1918, up to August 31, inclusive thereof, and in the treaty waters of Canada the number of gill-nets that may be licensed in any year shall not exceed 1,800.

(c) No license shall be granted to any person or partnership in the State of Washington unless such person or each member of such partnership shall be an American citizen, resident in said State, and no license shall be granted to any joint stock company or corporation in said State, unless the officers, directors, and the holders of a majority of the stock thereof, are American citizens, or unless it is authorized to do business in the said State; and no license shall be granted to any person, company or firm in the Province of British Columbia, unless such person is a British subject resident in the said Province, or unless such company or firm is a Canadian company or firm, or is authorized by the Provincial Government to do business in the said Province of British Columbia.

(d) No one other than a British subject who owns or leases land on either side of the Fraser River above New Westminster Bridge, and who actually permanently resides on, and is cultivating such land, shall be eligible for a license to fish for sockeye salmon between New Westminster Bridge and Mission Bridge, but fishing under such license shall not be carried on below New Westminster Bridge.

### SECTION 4

The use of nets other than drift-nets, purse-seines and trap-nets shall not be permitted in treaty waters for the capture of sockeye salmon.

## SECTION 5

No net fishing or fishing of any kind, other than with hook and line, except for hatchery purposes or scientific purposes shall be permissible in the Fraser River above the down-river side of Mission Bridge.

## SECTION 6

During the years 1920 to 1927, both years inclusive, no one shall fish for, catch or kill any salmon from the 20th day of July to the 31st day of July in each year, both days inclusive; and during this close time no nets or appliances of any kind that will capture salmon may be used in these treaty waters. *Provided, however,* That salmon fishing for hatchery or scientific purposes may be authorized during this period.

## SECTION 7

The weekly close time for salmon fishing shall be from six o'clock a.m. Saturday, to six o'clock p.m. Sunday, in Canadian waters, excepting in that portion of the Fraser River between New Westminster Bridge and Mission Bridge, where the weekly close time shall be from six o'clock a.m. Saturday to six o'clock p.m. on the following Monday, and in the treaty waters of the United States from Friday at four o'clock p.m. to Sunday at four o'clock a.m., and during this close time no salmon fishing of any kind other than for hatchery or scientific purposes shall be permissible, and during the full period of each weekly close time or annual close season, each trap-net shall be closed by an apron placed across the outer entrance to the heart of the trap, which apron shall extend from the surface to the bottom of the water and shall be securely connected to the piles on either side of the heart of the trap-net, fastened by rings not more than two feet apart on taut wires stretched from the top to the bottom of the piles, and such apron, or the appliance by which it is raised and lowered, shall be provided with a signal or flag, which shall disclose whether the trap-net is closed, and which shall be of the form and character approved by the Commission. *Provided,* That in addition to the foregoing requirement, such trap-net shall be equipped with a V-shaped opening, to the satisfaction of the Commission, in the lead of such trap-net next to the entrance to the heart and immediately adjacent to the apron, of at least ten feet in width at the top and extending below the surface at least four feet below low water, which V-shaped opening shall remain open and unobstructed during the full period of each weekly close time or annual close season. For the purposes of assuring full compliance with this regulation, the

owner or operator of each trap-net shall constantly maintain during the weekly and annual close times, a watchman, whose duty it shall be to cause each trap-net to be kept closed and the lead to be kept open, as above provided.

#### SECTION 8

All salmon trap-nets shall be limited to a total length of twenty-five hundred feet, with an end passageway of at least six hundred feet between one trap-net and the next in linear series, such distances being measured in continuation of the line of direction of the leader of such trap-net, but in no instance shall more than two-thirds of the width of any passageway at any point be closed by trap-nets. There shall also be a lateral distance of at least twenty-four hundred feet between one trap-net and the next.

#### SECTION 9

A salmon purse-seine shall not exceed nineteen hundred linear feet in length, including the lead and attachment, measured on the cork-line when wet.

#### SECTION 10

(a) No purse-seine shall be cast or placed in the water for fishing purposes within twenty-four hundred feet of any trap-net.

(b) The use of purse-seines for the capture of sockeye salmon shall be confined to the treaty waters southward and westward of a straight line drawn from the lighthouse on Trial Island, British Columbia, to the northwest point of Whidbey Island, State of Washington.

#### SECTION 11

A salmon drift-net shall not exceed nine hundred linear feet in length, and the vertical breadth thereof shall not exceed sixty meshes, and the size of the mesh shall not be less than five and three-fourths inches, extension measure, when in use.

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711.428/586a

*The Secretary of State to Senator Henry Cabot Lodge*

Confidential

WASHINGTON, December 8, 1919.

SIR: On September 3, 1919, there was transmitted to the Senate, through the President, a Convention for the protection, preservation, and propagation of Salmon in the waters contiguous to the United States and the Dominion of Canada, concluded between the United States and Great Britain on September 2, 1919.

Article II of the Convention, containing the clause, "each of the High Contracting Parties may, by appropriate legislation, provide for the trial, conviction, and punishment within its jurisdiction of any person found there who has contravened any of the provisions of this Convention and/or said regulations within the jurisdiction of the other High Contracting Party, and who has not been punished for such offense within the latter jurisdiction," has been criticised as not providing a means for obtaining evidence in one country for use in trials in the other, and as not excluding the trial and punishment on one side of the boundary of a person charged with a crime for which he has been acquitted on the other side. This clause was a matter of considerable discussion at the time the treaty was negotiated. In one draft, provision was made for the taking and admission of evidence, but it was subsequently thought that this matter could better be provided for in legislation by each of the High Contracting Parties, particularly as legislation will be necessary in any event if this clause is to be availed of.

On further consideration, I entertain the view that this clause of the Article should be redrafted in order to provide more fully for the admission of evidence in one country which has been obtained in the other country, and to prevent the same person from being tried in one country for an offense for which he has been tried and punished or acquitted in the other country. I am, therefore, considering asking the President in the near future to withdraw the treaty in order that this clause may be renegotiated. I should be pleased to have for my use in such negotiations any suggestions which members of the Foreign Relations Committee may wish to express informally with respect to the clause in question.

The objection has also been made that an American citizen who is tried in Canada for an offense committed in the United States, under the provisions of this section, would be deprived of a trial by jury. I do not think this is a valid objection to the clause, since an American citizen tried abroad under a jurisdiction conferred by treaty is not entitled to a trial by jury, unless the laws of the country grant it. In this relation reference may be made to *In re Ross*, 140 U.S. 435.

As to the question which has been raised regarding the right of the United States to enter into a treaty controlling the fisheries of the navigable waters within the jurisdiction of a state, three different District Courts of the United States have recently rendered decisions which bear on this point. These cases upheld the constitutionality of a Federal statute for the protection of migratory birds (40 Stats. 755) enacted in execution of the provisions of the migra-

tory birds treaty with Great Britain, signed August 16, 1916 (39 Stats. 1702). (*U.S. v. Thompson*, 258 Fed. 257; *U.S. v. Samples*, 258 Fed. 479; *U.S. v. Selkirk*, 258 Fed. 775). The court that decided *U. S. v. Thompson* had held, in a case which arose *prior* to the execution of the treaty, that a practically identical statute then in existence was unconstitutional (*U.S. v. Shawver*, 214 Fed. 154), but in the Thompson case the judge held that the later statute having been enacted in execution of a treaty, was constitutional.

I have [etc.]

ROBERT LANSING

711.428/558

*Senator Henry Cabot Lodge to the Secretary of State*

Personal

WASHINGTON, December 9, 1919.

MY DEAR MR. LANSING: I have just received your letter of December 8th. I have talked with some of the Senators principally interested and I think it will be very wise to withdraw the salmon fisheries treaty and redraft the clause of Article II to which you refer in your letter. There is also, I ought to say, a good deal of feeling in regard to the trial of American citizens; that is, in giving that right under a treaty. Also there is considerable feeling as to the jurisdiction over the territorial waters of a State and I hope that when you take the treaty back to reconsider the clause in Article II you will give consideration also to these other points.

Sincerely yours,

H. C. LODGE

711.428/557

*Senator Wesley L. Jones to the Secretary of State*

WASHINGTON, December 9, 1919.

MY DEAR MR. SECRETARY: Chairman Lodge, Chairman of the Committee on Foreign Relations, showed me your letter with reference to the matter of withdrawing the treaty between the United States and the British Empire in relation to the salmon fishing between the State of Washington and British Columbia.

I am glad to note that you contemplate changing this treaty in some particulars with reference to the trial of persons charged with violating its provisions. I also want to suggest that you give further consideration to the question of regulating the taking of these fish. If it is deemed necessary to go into this matter, I want to urge that the treaty provide for an absolute closed season for a definite period of time: for instance for four or five years. This, in my judgment, is the only just and effective way to deal with the situation at the present time. It will be contended by our people, if the treaty comes

back in its present form in this respect, that under its terms the Canadians will be especially favored and our people discriminated against; but I believe that our people would be fairly well satisfied with a definite, fixed, closed period of time.

Very respectfully yours,

W. L. JONES

711.428/590a

*The Secretary of State to President Wilson*

**THE PRESIDENT:** The undersigned, the Secretary of State, has the honor to lay before the President, with a view to its transmission to the Senate, if his judgment approve thereof, the following suggestion with regard to the Convention for the protection, preservation, and propagation of the salmon fisheries signed September 2, 1919 and submitted to the Senate by the President on September 3, 1919.

Article II of such Convention has been objected to by representatives of the fishery interests in the State of Washington and since it would seem that such objections might be met by re-draft of this Article, without prejudicing the Treaty as a whole, it is suggested that the Treaty be withdrawn for the purpose of taking up the revision of this Article with the Government of Great Britain.<sup>11</sup>

Respectfully submitted,

ROBERT LANSING

WASHINGTON, *January 13, 1920.*

**Negotiations for a Convention Concerning Port Privileges of Fishing Vessels, Lobster Fishing, Halibut Fishing, and Tariff on Fresh Fish—Draft of October 24, 1919**

711.428/566a

*The Acting Secretary of State to Senator Henry Cabot Lodge*

WASHINGTON, *March 15, 1919.*

**DEAR SENATOR LODGE:** Since our conversation regarding the proposed treaty between the United States and Great Britain, providing for the grant by both countries of certain port privileges to the fishing vessels of either country, another draft has been prepared, a copy of which I enclose herewith. As I said at our conference, the purpose of the treaty is to provide for the continuing of the arrangement entered into during the war by the United States and Canada through concurrent legislative or executive action. This action is taken to carry out the recommendations of a conference of repre-

<sup>11</sup>The convention was withdrawn Jan. 15, 1920.

sentatives of the United States and Canada in the summer of 1917.<sup>12</sup> I enclose a memorandum which sets forth briefly what the Conference did and the results it arrived at.<sup>13</sup>

As the proposed treaty has a bearing on the fishing interests of New England, and on account of your long familiarity with the fisheries questions between the United States and Canada, I would greatly appreciate an expression of views from you with respect to the enclosed draft treaty before presenting it to the British Government as a tentative basis for negotiations. If you could find time to examine the draft and write me in regard to it, I would be greatly obliged.

Very sincerely yours,

FRANK L. POLK

[Enclosure]

*Draft Treaty between the United States of America and Great Britain Concerning Port Privileges of Fishing Vessels*

The United States of America and His Majesty George the V, of the United Kingdom of Great Britain and Ireland, and of the British Dominions beyond the Seas, King, and Emperor of India, being equally desirous of avoiding any further misunderstanding between their respective citizens and subjects in regard to the extent of the rights of fishing vessels in the ports of their respective territories, and being further desirous of maintaining the amicable arrangements which they have respectively voluntarily established during the present war, have resolved to conclude a Convention for these purposes, and have named as their plenipotentiaries:

The President of the United States of America:

His Britannic Majesty,

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

ARTICLE 1

It is agreed by the high contracting parties that in addition to the liberties and privileges secured to the United States or the inhabitants thereof by the Convention concluded between the United States of America and His Britannic Majesty on October 20, 1818,<sup>14</sup> the inhabitants of the United States shall have, in common with the subjects of His Britannic Majesty, the right to enter any port in the Dominion of Canada without the requirement of a license, or

<sup>12</sup> *Foreign Relations*, 1918, pp. 456-457; the conference referred to met for the first time on Jan. 16, 1918.

<sup>13</sup> Not found in Department files.

<sup>14</sup> Miller, *Treaties*, vol. 2, p. 658.

the payment of fees not charged to Canadian fishing vessels, for the purpose of purchasing bait, ice, nets, lines, coal, oil, provisions, and all other supplies and outfits used by fishing vessels whether the same are of a like character to those named herein or not; repairing fishing implements; shipping crews; transshipping their catches, and where transshipped for destinations located within the United States, shipping same in bond without payment of local tariff duty; landing and/or selling their catches locally upon payment of the tariff duty locally applicable thereto; entering and clearing for the high seas and fisheries, as in the case of merchant vessels entering and clearing for foreign ports, except that they shall be exempt from tonnage duties and other charges specifically imposed on vessels entering from, and clearing for, foreign ports; and dressing and salting their catches on board ship in such ports and in the territorial waters of the Dominion of Canada.

#### ARTICLE 2

It is further agreed by the high contracting parties that British subjects residing in the Dominion of Canada shall have, in common with the inhabitants of the United States, the right to enter any port in the United States without the requirement of a license, or the payment of fees not charged to fishing vessels of the United States, for the purpose of purchasing bait, ice, nets, lines, coal, oil, provisions, and all other supplies and outfits used by fishing vessels whether the same are of a like character to those named herein or not; repairing fishing implements; shipping crews; transshipping their catches, and where transshipped for destinations located within the Dominion of Canada, shipping same in bond without payment of local tariff duty; landing and/or selling their catches locally upon payment of the tariff duty locally applicable thereto; entering and clearing for the high seas and fisheries, as in the case of merchant vessels entering and clearing for foreign ports, except that they shall be exempt from tonnage duties and other charges specifically imposed on vessels entering from and clearing for, foreign ports; and dressing and salting their catches on board ship in such ports and in the territorial waters of the United States.

#### ARTICLE 3

It is further agreed by the high contracting parties that all persons employed or being upon vessels entering the ports of Canada and the United States from the high seas fisheries shall be subject to the immigration laws and regulations of the respective countries, wherever applicable.



## ARTICLE 4

This Convention shall remain in force until two years from the date when either of the High Contracting Parties shall give notice to the other of its desire to terminate this Convention.

The present Convention shall be duly ratified by the President of the United States, by and with the advice and consent of the Senate thereof, and by His Britannic Majesty, and the ratifications shall be exchanged in Washington as soon as practicable.

In faith whereof, the respective plenipotentiaries have signed the present Convention in duplicate, and have thereunto affixed their seals.

Done at Washington, the ----- day of ----- in the year of our Lord one thousand nine hundred and nineteen.

711.428/565

*Senator Henry Cabot Lodge to the Acting Secretary of State*

Personal

WASHINGTON, May 7, 1919.

DEAR MR. POLK: I owe you an apology for the length of time which I have kept the Canadian treaty with reference to the fisheries, but the fact is I did not wish to give an opinion upon it until I had consulted the fishing interests which are chiefly centered at Gloucester in my state. I therefore turned it over to the Congressman from that district, Mr. Lufkin, who was born at Gloucester and lives in the neighboring town of Essex, and I enclose a letter from him which I have just received. As soon as he returns I shall ask him to go up and see you and talk the whole matter over with you. . . .

Very truly yours,

H. C. LODGE

[Enclosure]

*Representative W. W. Lufkin to Senator Henry Cabot Lodge*

MAY 5, 1919.

MY DEAR MR. LODGE: I am returning you herewith the proposed treaty between Great Britain and the United States of America concerning port privileges of fishing vessels, which you were kind enough to send me sometime ago, and beg to apologize for the length of time which I have kept it. I have had three different meetings with the vessel owners and representatives of the Master Mariners Association of Gloucester in connection with this proposed treaty. There is a wide difference of opinion among the Gloucester people

as to the wisdom of continuing this arrangement, although I think it extremely unlikely that those vessel owners who do not like the idea of this new treaty will actively oppose it.

The situation is as follows:—For years the owners of Gloucester fishing vessels have been demanding more privileges in the Nova Scotian ports. This treaty, of course, gives them these privileges; but with the coming of the beam trawlers, the American fishermen are making less and less use of these Nova Scotian harbors, preferring to carry their supplies with them from home. On the one hand, it is rumored that Canada is about to build a fleet of beam trawlers, and the local fish men rather fear competition from this source with no duty and with our ports thrown wide open to these Canadian ships. On the other hand, the men who are using the old time fishing vessels are in favor of the treaty, as they still continue to go into Nova Scotian ports for certain supplies, etc.

When I get back to Washington, I shall take the liberty of calling and discussing this matter with you a little more in detail.

Hoping [etc.]

W. W. LUFKIN

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711.428/488

*The Acting Secretary of State to the Secretary of Commerce  
(Redfield)*

WASHINGTON, May 19, 1919.

SIR: With further reference to the recommendations contained in the official report of the American-Canadian Fisheries Conference, this Department desires to state that in a recent communication from the British Government,<sup>15</sup> relating particularly to the publication of the proposed terms of the regulations to be attached to the treaty for the protection of the sockeye salmon fishery, the British Government incidentally expressed its hope to take up, at an early date, the question of action upon the entire report of the Conference. It is the understanding of this Department that the American members of the Conference felt that the matters of the sockeye salmon fishery treaty and port privileges treaty were the most important topics considered by the Conference and they have received, and are now receiving, as you are aware, the attention of this Department.

From an examination of the official report of the Conference and from information informally given to this Department by the American members of the Conference, it appears that the question of the restriction of fishing by the use of lobster well-smacks, owned by citizens of the United States, off the Canadian coast, has been made

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<sup>15</sup> Not printed.

the subject matter of a draft of law now pending before Congress, upon the recommendation of the Department of Commerce; that the question of the protection of certain fisheries on Lake Champlain necessitated the passage of local laws or regulations by the Canadian Government and that such laws or regulations have been passed; and that the difficulties arising out of the requirements imposed on Canadian fishing vessels passing through the territorial waters of Alaska were removed by the action of the Department of Commerce in modifying certain of its regulations. The Conference report concludes with a recommendation that the whale fishery be protected by a general international agreement to be entered into after the end of the war. It would, therefore, seem that the first three of these four topics require no action by this Department, while the fourth will not probably require any attention for some time to come.

There remain, therefore, but two topics considered by the Conference which have not received attention: (1) The protection of the Pacific halibut fishery, and (2) the protection of the sturgeon fishery.

In connection with the halibut fishery, the Conference recommended the establishment of certain regulations limiting the time of fishing, and the appointment of commissioners from both Canada and the United States to make a joint investigation into the halibut fishery. It has been informally suggested to this Department by the Department of Commerce that the purpose here sought might better be accomplished by concurrent legislation on the part of both countries than by treaty, while the report suggests that for the purposes of the investigation recommended, the commissioners appointed under the terms of the salmon fishery treaty might be utilized. If this be the case, then it would seem proper for the Department of Commerce to draft such legislation as it deems necessary and submit the same to the Congress in the same manner in which the question of lobster well-smack fishing was handled, but since the plan seems to contemplate concurrent legislation by both countries, it is suggested that such draft of legislation, before submission to Congress, be submitted through this Department to the British Government for its information.

In connection with the protection of the sturgeon fishery, the Conference recommended: (1) that a five year prohibition be placed upon the exercise of such fishery in both contiguous and noncontiguous waters; and (2) that since the Canadian Government had adopted a law providing a four year prohibition within the waters of Lake Erie to be effective only when similar legislation should be passed in the United States, the States of New York, Pennsylvania,

and Ohio, bordering on Lake Erie, should be urged to adopt laws analogous to that enacted by Canada.

Since the sturgeon fishery appears to exist in both boundary and nonboundary waters it seems necessary, in order to render adequate protection, that action should be taken by the individual states in any event, seconded possibly by treaty. If state legislation alone is sufficient it would seem to this Department that the matter might properly fall within the province of the Department of Commerce to undertake to bring to the attention of the proper state officials the necessity for, and the character of, the legislation desired.

From the report of the Conference, however, this Department is not so fully advised as to the exact waters in which this fishery exists as to be able to determine finally at this time whether state legislation alone will be adequate, and on this point this Department will be glad to have the opinion of the Department of Commerce together with such a detailed description of the waters involved as to show clearly wherein the jurisdiction of the United States could or should be exercised. At the same time it is suggested that the Department of Commerce may also find it desirable to submit any drafts of legislation which it proposes to seek to have enacted upon this subject by the State Legislatures, in order that this Department may be able fully to advise the British Government of the status of this matter, when occasion arises.

So far as the second recommendation of the Conference is concerned, namely, that since the Canadian Government has adopted a law providing a four year prohibition within the waters of Lake Erie to be effective only when a similar legislation shall be passed in the United States, the states of New York, Pennsylvania and Ohio, bordering on Lake Erie, shall be urged to adopt laws analogous to that enacted by Canada, this Department suggests that inasmuch as the Canadian law provides a different period from that contained in the first recommendation of the Conference, it might be well not to urge legislation by the states named along this line until it is finally decided whether an attempt will be made to seek the enactment of legislation by these and other states, or the negotiation of a treaty, establishing a five year prohibition.

At page 38 of the Conference Report there appears the following paragraph:<sup>16</sup>

“In the light of these facts your Commissioners feel constrained to recommend that the Canadian duty on fresh and fresh frozen fish not including shellfish be removed and with a view to assuring stability in the industry that the two countries enter into an agreement by which such fish will be admitted customs duty free from

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<sup>16</sup> Page 38 refers to manuscript; see *Foreign Relations*, 1918, p. 456.

either country into the other, and that such arrangement remain in force for fifteen years, and thereafter until two years after the date, when either party thereto shall give notice to the other of its wish to terminate the same."

While this recommendation is made under the heading, "Privileges to the Fishing Vessels of Either Country in the Ports of the Other", any reference thereto was expressly avoided in the preparation of the so-called Port Privileges Treaty, at the suggestion of the American members of the Conference. This Department also notes that there may be some objection to the recommendation in Canada, as the Honorable G. J. Desbarats, Deputy Minister of Naval Service, in a letter to you dated September 28, 1918, made the following statement:

"The only recommendation in the Report which meets with any serious criticism or opposition is the one providing for the admission of fresh fish free into Canada. The large fish handlers in the east would be opposed to such a measure. Their representatives are basing their opposition partly on the fact that the question was not brought up at any of the meetings in the East and that, therefore, the Commission was not in possession of the views of the Eastern trade on this subject. It is also urged that this proposal, if adopted, would result in transferring the Eastern fresh fish trade from Halifax and Canso to Portland and Boston. This seems quite probable and is a condition which would have to be faced, and considered, in relation to the wider aspect of the question. It has been suggested that it would be better to submit a proposal for the free interchange of all fish products, both fresh and manufactured, and it is quite possible that this view may find favour with Council."

This Department, therefore, is desirous of having an expression of your views upon the desirability of insisting upon action upon the tariff question in the course of negotiations with the British Government for the further carrying out of the recommendations of the Conference.

If, in connection with any action which the Department of Commerce may take in carrying out the recommendations of the Conference it seems desirable to communicate to any person, or to publish, any portion or portions of the report of the Conference, it is suggested that this Department be further communicated with in order that arrangements may be made with the British Government for a joint publication thereof.

I have [etc.]

For the Acting Secretary of State:

ALVEY A. ADEE

*Second Assistant Secretary*

711.428/528

*The Secretary of Commerce (Redfield) to the Acting Secretary of State*

WASHINGTON, June 30, 1919.

SIR: With further reference to your communication of the 19th ultimo in regard to the recommendations contained in the official report of the American-Canadian Fisheries Conference, the American members of the Conference are pleased to note your statement that, in a recent communication from the British Government, relating particularly to the publication of the proposed terms of the regulations to be attached to the treaty for the protection of the sockeye salmon fishery, the British Government incidentally expressed its hope to take up at an early date the question of action on the entire report of the Conference.

Your further statement that it is the understanding of your Department that the American members of the Conference felt that the matters of the sockeye salmon fishery treaty and the port privileges treaty were the most important topics considered by the Conference (which are now receiving the attention of your Department) expresses the view shared by the American members; and in this connection it may be stated that the port privileges now enjoyed by Canada and the United States were granted to cover the period of the war only. (See Executive Order of Feb. 20 [21<sup>st</sup>], 1918, and Order in Council of Mar. 8, 1918, pp. 5 and 6 of the printed hearings of the American-Canadian Fisheries Conference.<sup>18</sup>)

In addition to the sockeye salmon fishery treaty and port privileges treaty, the other subjects referred to in your communication, concerning which I am submitting herewith for your information the views of the American members of the Conference, are as follows:

1. *The restriction of fishing by the use of lobster well-smacks, owned by citizens of the United States, off the Canadian coast:*

Under date of February 25, 1918, a bill was introduced in the House of Representatives, and referred to the Committee on Merchant Marine and Fisheries, which, if enacted into law, would have put an end to the practice of American well-smacks taking lobsters in the waters referred to. The passage of this bill was urged in several communications by both the Department of State and the Department of Commerce, but the 65th Congress adjourned without any action being taken regarding it. At my request, Representative William S. Greene, Chairman of the Committee on Merchant Marine and Fisheries of the House of Representatives, has consented

<sup>18</sup> See *Foreign Relations*, 1918, pp. 452-453.

to introduce this bill in the present Congress. Every effort will be made by this Department to have the same enacted into law, in accordance with the assurance given the Canadian members of the Conference, and it is suggested that your Department also lend assistance in this direction.

*2. Protection of food fishes in Lake Champlain:*

This matter has been settled by the action of the Canadian authorities, in removing, by an Order in Council of February 18, 1918, the embarrassing conditions on Lake Champlain.

*3. Difficulties arising out of the requirements imposed on Canadian fishing vessels passing through the territorial waters of the United States:*

As stated by you, these difficulties were removed by the action of the Department of Commerce in modifying certain of its regulations.

*4. Protection of whale fisheries:*

It is the view of American members of the Conference that action in this matter should be deferred for some time to come, in fact, until after the more important matters considered by the Conference have been settled.

*5. The protection of the Pacific halibut fishery:*

It is believed that this matter could be taken care of by concurrent legislation by Canada and the United States. In this direction, I have approved a request of the Commissioner of Fisheries of this Department, who is a member of the Conference, for permission to confer with Mr. William A. Found, Superintendent of Fisheries of Canada, also a member of the Conference, concerning the matter and to consider the provisions that should be incorporated in such legislation and draft a bill which later can be formally considered by the two governments and probably be submitted to Congress and Parliament at the next regular sessions. In accordance with your suggestion, a draft of such legislation will, before submission to Congress, be forwarded to your Department for submission to the British Government for its information. At the same time, this Department would be pleased to receive any suggestions or amendments that your Department may deem advisable respecting the provisions of the proposed bill.

*6. Sturgeon fishery:*

The regulation of the sturgeon fishery presents special difficulties because of the commingling of international, national, and State interests. The American members of the Conference offer the sug-

gestion that, for the immediate present, the various States having sturgeon fishing be advised by the Department of State of the recommendations of the Canadian Fisheries Conference as regards the protection of sturgeons and urged to take appropriate action. In this connection it is understood that some of the States are already proceeding in essential accord with the report of the Conference. If such State legislation can not be secured, the question as to whether the protection of sturgeon in the international boundary waters should be made a subject of a separate treaty with Great Britain could be given consideration by this Department and the Department of State.

Referring further to the matter relating to the protection of the sturgeon and the waters in which the fishery has been active, attention is invited to the Resolution on the subject adopted by the Conference at its hearing in the city of Washington, January 22, 1918. (See page 39 of the accompanying copy of the report of hearings, printed for the use of the Committee on the Merchant Marine and Fisheries, House of Representatives.<sup>19</sup>) It is understood that sturgeon are found in all the boundary waters between Canada and the United States from Puget Sound on the west to Passamaquoddy Bay on the east.

*7. Canadian duty on fresh, and fresh frozen fish, etc.*

Note is made of your reference to the paragraph of the Conference report on this subject and to the quoted statement of the Honorable G. J. Desbarats, Deputy Minister of the Naval Service, Dominion of Canada, contained in his letter of September 28, 1919, relative to this matter. In response, therefore, to your request for an expression of views upon the desirability of insisting upon action upon the tariff question in the course of negotiation with the British Government, for the further carrying out of the recommendations of the Conference, it is believed that this subject should be carefully considered by the Canadian Government with a view to its possible reactions upon the two pending treaties (sockeye salmon and port privileges treaties). Fresh and fresh frozen fish are now duty free in the United States. The spirit which ran throughout the hearings of the Conference on both coasts was that of a "50-50," fully reciprocal arrangement. The United States is a large fish importer; Canada is a small one. The amount of revenue concerned is trifling, and the advantage to Canada of free use of our ports and of our full cooperation respecting the protection of sockeye salmon is of infinitely greater worth than the results of the duty, however considered.

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<sup>19</sup> Not printed here; see *Foreign Relations*, 1918, p. 475.



It is believed that this is fully understood by the Canadian executive authorities, but that there were possibly circumstances which made it inconvenient for them to open in any measure the tariff question at the time of the conclusion of the Conference. How far these conditions now prevail is not known to us. Circumstances may have altered since the close of the war. As the subject is one which, in its essence, is a matter of domestic policy for Canada, save as regards the reactions, possibly, which we have pointed out, and as it did not come within the formal scope of the Conference, we have felt that it could only be dealt with by a suggestion and to the substantial effect above indicated. There would be no objection on the part of this Department to a proposal for the free interchange of all fish products, both fresh and manufactured, though it is realized that this opens possibilities of antagonism on the part of fish canning interests in this country which might at present confuse the important pending issues. It would therefore be wise, in our judgment, to proceed with the utmost caution in this direction.

Referring to the concluding paragraph of your letter, this Department will be pleased to comply with the suggestion contained therein that if, in connection with any action which the Department of Commerce may take in carrying out the recommendations of the Conference, it seems desirable to communicate to any person, or to publish, any portion or portions of the report of the Conference, your Department be further communicated with in order that arrangements may be made with the British Government for a joint publication thereof.

In this connection, I have to state that the report of the hearings of the Conference which were held on the Atlantic coast was printed by the House Committee on Merchant Marine and Fisheries for its use and that, following the hearings on the Pacific Coast, a request was made of the committee to print the report thereof together with the Atlantic Coast hearings in one volume, and that the Chairman of the Committee replied that as there was no legislation pending before it at the time that would make it necessary to print this report for the information of the Committee he did not feel warranted in asking to have it printed. For your information, a copy of the Chairman's letter is herewith inclosed.<sup>20</sup> The American members of the Conference believe that owing to the importance of the matter, the report of all the hearings held by it, together with the final report of the Conference and exhibits, should be published, and it is therefore thought that the Senate Committee on Foreign Affairs, which will have before it the consideration of the salmon fishery and port privileges treaties, might favorably consider a request to have the

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<sup>20</sup> Not printed.

matter printed as a committee document. This Department would be pleased to supplement any request made by your Department of this committee for the printing of this report.

Respectfully,

WILLIAM C. REDFIELD

711.428/531

*The British Chargé (Lindsay) to the Acting Secretary of State*

No. 555

WASHINGTON, July 25, 1919.

SIR: In accordance with instructions which I have received from the Canadian Government I have the honour to transmit to you, herewith, copy of an approved Minute of the Privy Council for Canada, approving, subject to certain modifications set forth in the Minute, a Report of the Canadian-American Fisheries Conference, dated 6th September, 1918.<sup>21</sup>

In forwarding you a copy of this document I have been requested by the Canadian Government to add that they are most anxious to learn the views of the United States Government in regard to the Canadian position on the points dealt with in the Minute of Council and I should be grateful if you would be good enough to communicate to me any views on the subject which the competent Department of the United States Government may desire to express. I understand that the Canadian authorities would be glad to be in possession of the opinion of the United States authorities on these matters at the earliest possible date.

I have [etc.]

R. C. LINDSAY

[Enclosure]

*Minute of the Privy Council for Canada, Approved March 11, 1919*

The Committee of the Privy Council have had before them a Report, dated 5th March, 1919, from the Acting Secretary of State for External Affairs, submitting the Report of the Canadian American Fisheries Conference, dated 6th September, 1918.

The principal subjects under consideration at this Conference were:

Privileges to the fishing vessels of either country in the ports of the other.

Rehabilitation and protection of the sockeye salmon of the Fraser River System.

Protection of the Pacific halibut fishery.

Fishing by United States lobster well-smacks off Canadian Coast.

Protection of the fisheries of Lake Champlain.

<sup>21</sup> *Foreign Relations*, 1918, pp. 439 ff.

Requirements imposed on Canadian fishing vessels passing through territorial waters of Alaska.  
 Protection of the sturgeon fisheries.  
 Protection of whales.

Taking up these questions in the reverse order of their enumeration, the Minister offers the following observations:—

(1) *Protection of whales.*

The Commissioners are of opinion that the subject of the protection of whales on the Atlantic and Pacific Coasts of both countries is one calling for world-wide international action, and they recommend that an international conference composed of representatives of the different maritime nations interested should be called to consider this important question, with a view to the saving of the whales from extinction and the perpetuation of the whaling industry. The Minister concurs in this suggestion.

(2) *Protection of the sturgeon fisheries.*

On this subject, the conference adopted a resolution setting forth that sturgeons are by far the most valuable fishes inhabiting North American waters; that the supply of this fish is diminishing, and in some waters had almost disappeared; that the remedial measures heretofore adopted are inadequate to arrest this rapid decline. They accordingly recommend that all sturgeon fishing in contiguous waters of the United States and Canada be suspended for at least five years, and that similar action should be taken by the legislative bodies controlling non-contiguous waters. The Conference commends the regulation adopted by Minute of the Privy Council approved by Your Excellency on the 22nd March, 1918, providing for a four years' prohibition of sturgeon fishing of Lake Erie, conditional upon the bordering States of New York, Pennsylvania, and Ohio, enacting similar legislation, and urges that such action be taken by these States. It also urges that provision be made for a longer period of closure as far as all boundary waters are concerned as well as waters not contiguous to the boundary of both countries. The Minister is of the opinion that the Canadian Government might profitably join in steps looking to the protection of this valuable industry.

(3) *Requirements imposed on Canadian fishing vessels passing through territorial waters of Alaska.*

The Canadian Commissioners brought up for consideration the difference in treatment accorded the Canadian fishing vessels on the Northern Pacific by the United States authorities and that accorded the United States fishing vessels by the Canadian authorities. On this matter the Conference reported as follows:

“On the Pacific Coast the United States fishing vessels leaving Washington ports for the Northern fishing grounds of Alaska, sail through the narrow territorial channels along the Coast of British Columbia, between the islands and the mainland, so as to escape the rougher outside waters, and are required neither to enter nor report at any Canadian customs office, while Canadian fishing vessels passing through similar channels along the Coast of Alaska to the fishing grounds on the high seas beyond, have been required to enter and clear at Ketchikan, thus not only losing time, but involving the payment of fees, which usually amount to from \$12.00 to \$15.00 on the larger vessels, on each occasion.

This matter was investigated during the hearings on the Pacific Coast, and was found to be substantially as above stated, for while the vessels were not cleared from Ketchikan for the fishing grounds, they were cleared for a Canadian port by way of the fishing grounds, and thus went from Ketchikan to the fishing grounds and thence back to a Canadian port.

The law under which entry and clearance was required was an enactment to prevent smuggling, and as there was some question as to whether a proper interpretation was being placed upon it, in requiring passing fishing vessels to enter and clear, the question was forthwith taken up by the Department of Commerce, which, after full consideration, found that the practice which had grown up was not warranted by law. It was forthwith discontinued.”

This cause of complaint and irritation which has existed in the Canadian vessel fisheries ever since the beginning of the Northern fishing voyages, has thus been removed.

The Minister observes that as a different interpretation had been placed upon this law for a long period, it would appear to be desirable, in order to avoid the possibility of controversy in the future, that in any convention framed upon this report the rights of Canada and of the United States in respect of the fishing vessels of either of them passing through the territorial waters of the other in the Northern Pacific should be declared and set forth.

(4) *Protection of the fisheries on Lake Champlain.*

The Canadian section of the Conference recommended to their Government that the net fishing in Missisquoi should be stopped. This was done by Order of Your Excellency in Council of the 18th February, 1918, and there is no further source of irritation upon that head.

(5) *Fishing by United States lobster well-smacks off the Canadian coast.*

The pursuit of this practice has caused in the past much local irritation and dissatisfaction, and has also tended to deplete the lobster fisheries. The Conference, having considered the matter, reported as follows:—

"When at an early meeting of the Conference, the Canadian Section explained the unfair position in which the Canadian lobster fishermen on certain parts of the Nova Scotia Coast were being placed, by the United States lobster well-smacks fishing just outside the territorial waters during the close time for lobster fishing inside such waters, and using the local harbours as a base for this fishery by resorting thereto each night, under the cloak of coming in for shelter, which seems a clear breach of the spirit of intention of the treaty of 1818, the unfairness of the position was admitted by the United States section, and forthwith the Secretary of Commerce ordered that there be prepared, for submission to Congress, a Bill designed to prevent such fishing.

This prompt action was endorsed at the hearings at Boston by all the people who had been engaged in the industry, all of whom said they would not put any vessels in this fishery.

Thus, even before Congressional action could be completed, the end in view has been achieved, and there has been settled a question, which, though affecting up to the present only a limited portion of the Coast of Nova Scotia, was causing such growing unrest among the lobster fishermen there, as to threaten the total breakdown of the protective regulations designed for the conservation of the fishery, both inside and outside territorial waters."

The Minister is of the opinion that in order to insure the permanence of the arrangement above set forth, and to guard against misunderstandings and consequent irritation in the future, it is desirable that any convention based hereon, should contain a declaration that such lobster wellsmacks fishing is contrary to the spirit and intention of the Treaty of 1818 and should, therefore, be permanently discontinued.

(6) *Protection of the Pacific halibut fishery.*

The Commissioners recommend that there should be a uniform close season for halibut fishing on the Pacific Coast for the United States and Canada, such close season to be from the 16th November to the 15th day of February in each year for ten years, and that the proper penalties for the violation of its provisions should be provided by each country. The Commissioners also recommend further investigation into the halibut fishing, and that Commissions be appointed under the suggested sockeye salmon fishery Treaty (dealt with in the paragraph immediately following), which shall also be charged with the supervision of the proposed halibut close season. The Minister concurs in this recommendation.

(7) *Rehabilitation and protection of the sockeye salmon of the Fraser River system.*

The Commissioners point out many difficulties in dealing with this problem and recommend that a Treaty be entered into between the two countries respecting the matter. With a view to expedition,

they have submitted a draft of such proposed Treaty (Appendix A to their report) together with certain suggested regulations thereunder (Appendix B to their report). This proposed Treaty limits the time, season, and methods of sockeye salmon fishing in the Fraser River; requires the two countries to enforce by legislation and executive action such regulations, and defines the area over which the same are to be operative. It also provides for the appointment of an international fisheries commission to be composed of two Commissioners from each country to conduct investigations. The proposed Treaty to be in force for fifteen years and thereafter cancellable on two years' notice. The Minister concurs in this recommendation.

(8) *Privileges to the fishing vessels of either country in the ports of the other.*

The Commissioners in their report have traced the history of this complex question which, taking its origin in the war of the Revolution, has for considerably more than a century periodically engaged the attention of British and American diplomatists. After an extensive review of the past and present conditions, they have made certain recommendations which read:—

“That Article 1 of the Treaty of the 20th October 1818, be amended so as to make available in either country to the fishing vessels of the other, the privileges covered by the instructions of the United States Secretary of Commerce to collectors of Customs of that country, dated February 21st, 1918, and by the Canadian Order in Council, dated March 8th, 1918, in substance as follows:—

1. That the fishing vessels of either country may enter from the high seas any port of the other, and clear from such port back to the high seas and the fishing-grounds.
2. That the fishing vessels of either country may dispose of their catches and purchase bait, ice, nets, lines, coal, oil, provisions, and all other supplies and outfits in the ports of either country.
3. That the repairing of fishing implements in the ports of either country be allowed to the vessels of the other country.
4. That the fishing vessels of either country may dress, salt, and otherwise prepare their catches on board such vessels within the territorial waters of the other country.
5. That the fishing vessels of either country may ship their crews and trans-ship their catches in the ports of the other country.
6. That the fishermen of either country may sell their catches in the ports of the other country [subject] to Customs' [local] tariff, if any.[”]

It is understood that such an arrangement as is here proposed is to include both the Atlantic and Pacific Coasts. The Minister

observes that the recommendations above numbered from one to six are virtually those in force at the present time under an Order of Your Excellency in Council, which provided for their continuance during the existence of the present war.

The Minister sees no objection to their adoption and incorporation in a treaty provided that:—

1. The Treaty of 1818 be not amended, but its operation suspended so far and only so far as may be necessary to give effect to the new Treaty,

2. Any Treaty to be entered into shall be for a fixed period not to exceed fifteen years and thereafter determinable with two years' notice.

3. The rights of Canadian and American fishing vessels respectively, in passing through the territorial waters of the other in the Northern Pacific, be declared and set forth in such Treaty.

4. There be incorporated in the Treaty, the finding of the Conference, that the Lobster Well-Smacks fishing by citizens of the United States, just outside the territorial waters of Canada during the closed time for lobster fishing inside such waters, and using the local harbours as a base for this fishery, is contrary to the spirit and intention of the Treaty of 1818.

In addition to the subjects referred to them for discussion and deliberation, the Commissioners have considered the question of the removal of the duty on fresh fish entering the Dominion from the United States, and have recommended that the Canadian duty on fresh and frozen fish not including shell-fish, be removed, and with a view to assuring stability in the industry, that the two countries enter into an agreement by which such fish will be admitted customs duty free from either country into the other, and that such arrangement remains in force for fifteen years, and thereafter until two years after the date, when either party thereto shall give notice to the other of its wish to terminate the same.

The Minister is of opinion that as this question did not form part of the subject matter of the reference to the Commissioners and relates to the fiscal policy of the country, it should not be dealt with in the proposed convention but if considered desirable it should form the subject of a separate negotiation.

The Minister, with the concurrence of the Minister of the Naval Service, recommends that subject to the modifications above set forth, the report of the Canadian-American Fisheries Conference receive the approval of Your Excellency.

The Committee concurring, recommend the same for Your Excellency's approval accordingly.

RODOLPHE BOUDREAU  
*Clerk of the Privy Council*

711.428/531

*The Secretary of State to the British Chargé (Lindsay)*

WASHINGTON, July 30, 1919.

SIR: I beg to acknowledge the receipt of your note of July 25, 1919, enclosing copy of an approved Minute of the Privy Council for Canada, approving, subject to certain modifications, a report of the American-Canadian Fisheries Conference, dated September 6, 1918.

You state that the Canadian Government desires to learn the views of my Government in regard to the points covered by the Minute and I shall be glad to reply to this request as soon as I shall have had an opportunity to consult with the appropriate officers of this Government, to whom I have referred the Minute enclosed in your note.

Accept [etc.]

For the Secretary of State:

WILLIAM PHILLIPS

711.428/543

*The Secretary of Commerce (Redfield) to the Secretary of State*

WASHINGTON, September 30, 1919.

SIR: Referring to that portion of my letter to you of June 30, 1919, relating to the matter of the removal by Canada of the duty on fresh and frozen fresh fish, to be covered in the proposed port privileges treaty with Great Britain, as recommended in the official report of the American-Canadian Fisheries Conference, I am pleased to state that the Honorable Sir John Douglas Hazen, who was chairman of the Canadian delegation of the Conference, called on me yesterday afternoon and directed my attention to a certified copy of a Minute of Council, approved by the Governor General of Canada on September 27, 1919,<sup>22</sup> containing an approval of the recommendation of the Conference for the removal of the duty on fresh and frozen fish. This is very gratifying to the American members of the Conference, who will be pleased to have included in the proposed treaty a provision that no customs duties will be assessed or collected on shipments of fresh fish, frozen fresh fish, fresh fish in ice, landed or sold in the ports of either Canada or the United States, or on shipments of such fish across the land boundary of either country.

In this connection I have to state that as the port privileges now enjoyed by Canada and the United States were granted to cover the period of the war only, it is important that the treaty be submitted

<sup>22</sup> *Post*, p. 265.



to the Senate at an early date. The Honorable Sir John Douglas Hazen has been authorized on behalf of the Government of Canada to sign this treaty and he advises me that the Canadian Government is extremely anxious to have the treaty concluded as soon as possible.

Respectfully,

WILLIAM C. REDFIELD

711.428/543

*The Secretary of State to the Secretary of Commerce (Redfield)*

WASHINGTON, October 27, 1919.

SIR: I have the honor to acknowledge the receipt of your letter of September 30, 1919, regarding the proposed treaty with Great Britain covering reciprocal port privileges in Canada and the United States and other matters.

As you have already been informally advised, conferences were held with Mr. W. A. Found, while he and Sir Douglas Hazen were in Washington, resulting in a preliminary draft of treaty which has already been informally submitted to you and the other American members of the American-Canadian Fisheries Conference.<sup>23</sup> The draft treaty has received some further revision, and I now hand you herewith a copy of the text as it now stands, with the request that you inform me whether it meets with the approval of the American members of the American-Canadian Fisheries Conference, and of the Department of Commerce, in order that I may have your views before submitting the treaty formally to the British Government with a proposal for its signature.

I have [etc.]

ROBERT LANSING

[Enclosure]

*Draft of October 24, 1919, of a Treaty between the United States of America and Great Britain Concerning Port Privileges of Fishing Vessels, Lobster Fishing, Halibut Fishing, and Tariff on Fresh Fish*

The United States of America and His Majesty George the V, of the United Kingdom of Great Britain and Ireland, and of the British Dominions beyond the Seas, King, Emperor of India, being equally desirous of avoiding further misunderstanding in regard to the extent of the liberties of the inhabitants and the fishing vessels and boats of the United States and of the Dominion of Canada, in the ports and waters of the United States and the Dominion of Canada, and of securing the preservation of the lobster fishery along

<sup>23</sup> Not printed; the principal alteration later made was the insertion of art. 5 of the draft printed as enclosure hereto.

the North Atlantic coasts of the two countries, the halibut fishery of the Northern Pacific Ocean, and the free movement of fresh fish as an aid to obtaining an increase in the food supplies of the United States and the Dominion of Canada, have resolved to conclude a Convention for these purposes, and have named as their plenipotentiaries:

The President of the United States of America, the Honorable Robert Lansing, Secretary of State of the United States of America, and His Britannic Majesty, the Honorable Sir John Douglas Hazen, a Knight Commander of the Most Distinguished Order of St. Michael and St. George, Chief Justice of New Brunswick, and a member of his Privy Council for Canada, who after having communicated to each other their respective full powers, found in good and due form, have agreed upon the following articles:

#### ARTICLE I

It is agreed by the high contracting parties that the inhabitants and the fishing vessels and boats of the United States shall have, in common with the inhabitants and the fishing vessels and boats of the Dominion of Canada, the liberty to enter any port on the Atlantic and Pacific coasts of the Dominion of Canada without the requirement of a license, or the payment of fees not charged to Canadian fishermen or fishing vessels for the purposes of—

(a) Purchasing bait, ice, nets, lines, coal, oil, provisions, and all other supplies and outfits used by fishing vessels whether the same are of a like character to those named herein or not;

(b) Repairing fishing implements;

(c) Shipping crews;

(d) Transshipping their catches, and when transshipped for destination within the United States, shipping same in bond;

(e) Landing and/or selling their catches in the Dominion of Canada, subject to the payment of customs duties thereon, if any;

(f) Entering from and clearing for the high seas and the high sea fisheries without the payment of any tonnage dues or duties and/or other charges specifically imposed on vessels entering from, and clearing for, foreign ports; and

(g) Dressing, salting and otherwise preparing their catches on board ship in port and in the territorial waters of the Dominion of Canada, subject to local laws and/or regulations.

#### ARTICLE II

It is further agreed by the high contracting parties that the inhabitants and the fishing vessels and boats of the Dominion of Canada shall have, in common with the inhabitants and the fishing

vessels and boats of the United States the liberty to enter any port on the Atlantic and Pacific coasts of the United States without the requirement of a license, or the payment of fees not charged to American fishermen or fishing vessels for the purposes of—

(a) Purchasing bait, ice, nets, lines, coal, oil, provisions, and all other supplies and outfits used by fishing vessels whether the same are of a like character to those named herein or not;

(b) Repairing fishing implements;

(c) Shipping crews;

(d) Transshipping their catches, and where transshipped for destination within the Dominion of Canada, shipping same in bond;

(e) Landing and/or selling their catches in the United States, subject to the payment of customs duties thereon, if any;

(f) Entering and clearing for the high seas and the high sea fisheries, without payment of any tonnage dues or duties and/or other charges specifically imposed on vessels entering from and clearing for, foreign ports; and

(g) Dressing, salting and otherwise preparing their catches on board ship in port and in the territorial waters of the United States, subject to local laws and/or regulations.

### ARTICLE III

It is further agreed by the high contracting parties that all persons employed or being upon fishing vessels or boats of either the United States or the Dominion of Canada entering the ports of the other from the high seas and the high seas fisheries shall be subject to the immigration laws and regulations applicable thereto, upon landing from such vessels or boats.

### ARTICLE IV

It is further agreed by the high contracting parties that fishing vessels and boats of either the United States or the Dominion of Canada merely passing through the territorial waters of the other country on their way to and from fishing grounds located on the high seas, and using such territorial waters for no other purpose whatever, shall not be required to enter or clear at any port, or to report to any customs official, of the other country.

### ARTICLE V

It is further agreed by the high contracting parties that nothing in this Convention shall be construed in derogation of the liberties secured to the United States and the inhabitants thereof by the

Convention between these high contracting parties concluded on October 20, 1818.

#### ARTICLE VI

It is further agreed by the high contracting parties that the inhabitants and the fishing vessels and boats of the United States, engaging in the lobster fishery in waters outside territorial waters of the Dominion of Canada and opposite thereto, and that the inhabitants and the fishing vessels and boats of the Dominion of Canada engaging in the lobster fishery in waters outside territorial waters of the United States and opposite thereto, shall pursue such fishery subject to the same restrictions as may be imposed by law within the nearest territorial waters opposite and adjacent to the place of such fishery.

It is further agreed by the high contracting parties that any person, vessel or boat engaged in lobster fishing in violation of the provisions of this Convention may be seized, detained and delivered in the same manner as is provided in Article VII, with regard to violations of the provisions relating to the halibut fishery.

#### ARTICLE VII

It is further agreed by the high contracting parties—

(a) That the inhabitants and the fishing vessels and boats, of the United States and of the Dominion of Canada respectively, are hereby prohibited from fishing for halibut (*Hippoglossus*) both in the territorial waters and in the high seas off the western coasts of the United States, and the Dominion of Canada, including Bering Sea, from the 16th day of November, 1920, to the 15th day of February, 1921, both days inclusive, and during the same period yearly thereafter until the 15th day of February, 1930, provided that upon the recommendation of the International Fisheries Commission hereinafter described, this close season may be modified or rescinded by the high contracting parties by special agreement at any time after February 15, 1924, it being understood that such special agreement shall, on the part of the United States, be made by the President of the United States, by and with the advice and consent of the Senate thereof.

(b) That nothing contained in this Article shall prohibit the inhabitants and the fishing vessels and boats of the United States and the Dominion of Canada, from fishing in the waters hereinbefore specified for other species of fish during the periods when fishing for halibut in such waters is prohibited by this Article, and any halibut that may be incidentally caught when fishing for such other species

of fish may be retained and landed; but must either be sold fresh for consumption in the port or place where it is landed, or must be frozen, canned or cured in such port or place;

(c) That during the periods when halibut fishing in the waters hereinbefore specified is prohibited by this Article no halibut shall be shipped or transported in any manner from any port or place on the Pacific Coast of North America within the jurisdiction of either of the high contracting parties unless such halibut is frozen, canned, or cured;

(d) That every person, vessel or boat engaged in the halibut fishing in violation of this Article may be seized, except within the territorial jurisdiction of the other party, and detained by the naval or other duly commissioned officers of either of the high contracting parties, to be delivered as soon as practicable to an authorized official of the country to which such person, vessel or boat belongs, at the nearest point to the place of seizure, or elsewhere as may be mutually agreed upon; that the authorities of the nation to which such person, vessel or boat belongs alone shall have jurisdiction to try the offense and impose the penalties for the same; and that the witnesses and proofs necessary to establish the offense, so far as they are under the control of the other of the high contracting parties, shall be furnished with all reasonable promptitude to the proper authorities having jurisdiction to try the offense;

(e) That the high contracting parties shall cause to be made a thorough joint investigation into the life history of the Pacific halibut and that such investigation shall be undertaken as soon as practicable. Each party shall pay any investigator or investigators it may employ and any joint expenses incurred by agreement between the high contracting parties shall be paid by the high contracting parties in equal moieties.

(f) That the International Fisheries Commission appointed under the provisions of Article IV of the Convention of September 2, 1919, for the rehabilitation and protection of the Sockeye Salmon Fishery of the Fraser River System shall be charged with the supervision of the investigation provided for in this Article.

#### ARTICLE VIII

All shipments of fresh fish, including frozen fresh fish and fresh fish packed in ice, which enter the United States or the Dominion of Canada, from the vessels, boats and/or territory of the other, and which shall have been taken by the inhabitants, or the vessels and boats of either of these countries, shall be admitted into the other country free of duty.

## ARTICLE IX

Each of the high contracting parties agrees to enact and enforce such legislation as may be necessary to make effective the foregoing provisions, with appropriate penalties for violations thereof.

## ARTICLE X

This Convention shall remain in force for a period of fifteen years and thereafter until two years from the date when either of the high contracting parties shall give notice to the other of its desire to terminate this Convention.

The present Convention shall be duly ratified by the President of the United States, by and with the advice and consent of the Senate thereof, and by His Britannic Majesty, and the ratifications shall be exchanged in Washington as soon as practicable.

In faith whereof, the respective plenipotentiaries have signed the present Convention in duplicate, and have thereunto affixed their seals.

Done at Washington, the-----day of----- in the year of our Lord one thousand nine hundred and nineteen.

711.428/551

*The Secretary of Commerce (Redfield) to the Secretary of State*

WASHINGTON, *October 31, 1919.*

MY DEAR MR. SECRETARY: Respectfully referring to your communication of the 27th instant transmitting a revised draft of the proposed treaty with Great Britain covering reciprocal port privileges in Canada and the United States and other matters, let me say that the same has been submitted to the American members of the American-Canadian Fisheries Conference and meets with their unanimous approval and is approved by the Department of Commerce.

Yours very truly,

WILLIAM C. REDFIELD

711.428/543

*The Secretary of State to Senator Henry Cabot Lodge*

WASHINGTON, *November 8, 1919.*

DEAR SENATOR LODGE: Last March Mr. Polk discussed informally with you a proposed treaty providing for reciprocal port privileges in Canada and United States for the fishermen in these respective countries. This treaty has recently received further considera-

tion by Canadian and American representatives and has been enlarged to cover certain other matters, all of which embody the recommendations made by the American-Canadian Fisheries Conference after its investigations carried on in 1918. The hearings held by this Conference are now before your Committee to assist it in considering the Sock-eye Salmon Fisheries Treaty.

The enclosed draft <sup>24</sup> meets with the approval of the Department of Commerce and with the former American members of the American-Canadian Conference. I should be very greatly obliged if you could find time to examine this redraft and write me a brief note stating your views in regard to it.

Very sincerely yours,

ROBERT LANSING

711.428/553

*The British Appointed Ambassador (Grey) to the Secretary of State*

WASHINGTON, November 10, 1919.

SIR: With reference to the recent conference held between United States officials and Sir Douglas Hazen in connection with various fisheries questions pending between the United States and the Government of Canada, I have the honour to transmit to you, herewith, copy of a draft treaty which I have received from the Governor General of Canada.<sup>25</sup> I should be much obliged if you would be good enough to inform me in due course whether the terms of this draft are acceptable to the United States Government.

In this connection I have the honour to enclose a copy of a Minute of the Canada Privy Council, dated the 27th of September, which has I understand already been communicated by Sir Douglas Hazen to your Department. It will be observed that in this Minute the Government of Canada express the view that it is important to make the full fish supply of the adjacent waters of the two countries freely available for the people of both countries, and recommend that the arrangement now proposed for the free shipment of fresh fish should be extended to fish packed in ice, canned, salted or preserved in any form, and also shell fish of all kinds, in the shell, canned or in bulk, including the container in all these cases.

The Dominion Authorities will be very glad to learn whether the conclusion of arrangements on the lines indicated would be accept-

<sup>24</sup> The same as the draft of Oct. 24, p. 258.

<sup>25</sup> Not printed; with the exception of minor changes, the same as the draft of Oct. 24, p. 258.

able to the United States Government and I should be obliged for any information on this point which you may be able to give them.

I have [etc.]

(For H. M. Ambassador)

R. C. LINDSAY

[Enclosure]

*Minute of the Privy Council for Canada, Approved September 27, 1919*

The Committee of the Privy Council have had before them a report, dated 22nd September, 1919, from the Secretary of State for External Affairs, submitting with reference to the Minute of Council of March 11th, 1919, (P.C. 506)<sup>28</sup> which laid down the views of the Government on the Report, dated September 6th, 1918, of the Canadian American Fisheries Conference, that these views were communicated to the Government of the United States, and as a result one of the recommendations of the Conference has been finally disposed of by the conclusion and signature at Washington on September 2nd, 1919, of a Treaty between Canada and the United States concerning the sockeye salmon fisheries of the Fraser River System. There remains for final settlement a treaty or treaties covering the other recommendations of the Conference, and it is desirable that this settlement should be reached at an early date.

The Minister observes that in this connection it appears expedient that the Minute of Council of March 11th should be modified in so far as it concerned the recommendation of the Conference relative to the removal of the duty on fresh and frozen fish. Having regard to the importance of making the food fish supply of the adjacent waters freely available for the people of both countries as soon as possible, the Prime Minister is of opinion that the recommendation of the Conference in this respect should be accepted.

The Prime Minister therefore recommends that negotiations be undertaken with the Government of the United States for extending the proposed arrangement to fish packed in ice, canned, salted or preserved in any form and also shell-fish of all kinds, in the shell, canned or in bulk, including the container in all these cases; and that the Honourable Sir John Douglas Hazen be authorized to conduct such negotiations.

The Prime Minister further recommends that the Honourable Sir John Douglas Hazen be authorized, on behalf of the Government of Canada, to negotiate as soon as possible with the Government of the

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<sup>28</sup> *Ante*, p. 251.



United States a further treaty or treaties on the basis aforesaid, and that the said Sir John Douglas Hazen be authorized to sign such treaty or treaties on behalf of the Dominion of Canada.

The Committee concur in the foregoing recommendation and submit the same for approval.

RODOLPHE BOUDREAU

711.428/559

*Senator Wesley L. Jones to the Secretary of State*

WASHINGTON, December 18, 1919.

MY DEAR MR. LANSING: I have given some consideration to the proposed treaty between the United States and Great Britain concerning port privileges of fishing vessels, lobster fishing, halibut fishing, and the tariff on fresh fish, a copy of which you kindly furnished me a short time ago.<sup>27</sup> There are some general objections that I want to submit at this time to this treaty, which I hope you will consider carefully before entering into it.

Privileges and other matters covered by article 1 were, as I understand it, included in the treaty of Washington, 1888. The Senate refused to ratify this treaty because it was so manifestly much more beneficial to Canada than to the United States. These especial provisions were made effective by *modus vivendi* between the State Department and Canada, and on the payment of a license fee of \$1.50 per ton, the arrangement to continue for two years. This *modus vivendi* was continued until 1896 when the Department declined to continue it longer on its part. Canada continued the provisions by "Order in Council" and this fact in itself sustains the contention that the commercial benefits to Canada were manifestly greater than the benefits to the United States. As nearly as I can learn thirty-four American vessels availed themselves of the opportunity presented in 1916 and Canada has since then been seeking a way to increase fishing from its ports. Your office should know whether this is a correct statement of the situation. If it is not, I would be glad to be advised wherein it is inaccurate.

Canada has been seeking for one hundred and forty years or more to secure a good part of the privileges of Article 2. Those under (a) would not be exercised except as to bait because of cheaper nets, etc., in Canada (60% duty on linen nets coming from Great Britain to the United States and none on linen nets going to Canada).

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<sup>27</sup> Evidently a copy of the preliminary draft referred to in Department's letter of Oct. 27 to the Secretary of Commerce, p. 258. The references to art. 5, etc., apply to art 6, etc., of the draft printed as enclosure to that letter; see also letter of Dec. 27, p. 268.

(*b*) and (*c*) are of no special value. (*d*) would not be utilized because Canadian markets cannot absorb the fish now landed in Canadian ports. (*e*), (*f*) and (*g*) are the real purposes sought by Canada. She would secure the far greater American market and direct American port fishing for Canadian vessels without giving anything special in return. This is what Canada has wanted for years and what she is seeking now and in our own interests we should not give it.

There is no special objection to Article 3.

Under Article 4, coupled with Article 2, Canadian vessels fishing off Alaska and using Alaskan ports for refuge would, as now, pass from Prince Rupert and Vancouver through American waters without being required to enter at Customs, but under the treaty even if they landed crews, purchased bait or supplies, they would not be required to enter at Customs and pay charges therefor, which privilege they do not now hold. American vessels, however, attempting to fish out of Prince Rupert, would, under their American coastwise registers, be required in returning from such foreign port to fishing ground, to enter at the first American port and produce bill of health from Prince Rupert which costs \$5.00 aside from tonnage tax and other fees. This, coupled with other advantages to Canadian vessels in economy of operation under Canadian regulations, would soon drive the American flag from the American fishing fleet.

I have no special objection to Article 5, as we have no lobster fisheries on the Pacific Coast.

Article 6 would be a good thing as a separate treaty. Why is it that it is not made such— It should not be tied up with these other provisions in order to get them through.

Article 7 gives Canada a guarantee of free fish in the American market—the only considerable market available for her—and this would prevent Congress for 17 years at least from passing any law which it might deem necessary for the protection of American fisheries from the importation of fresh fish or fish frozen or in ice. Our interests are too great and too important to be placed at the mercy of Canadian interests, especially when there is so little, if anything, that comes to us in return.

Article 8 is unobjectionable and unimportant.

I want to urge upon you the importance of giving this subject the most careful consideration before entering into such a treaty and presenting the same to the Senate. I feel sure that you are as much interested as I am in protecting American interests. Great Britain will do everything she can to protect and promote Canadian interests. I do not complain at this. On the contrary, I admire her and her representatives for doing so. She will take everything she can get

and properly so. Without seeking to destroy Canadian industries we should zealously guard and protect our own interests and promote our own development.

Very respectfully yours,

W. L. JONES

711.428/559

*The Acting Secretary of State to the Secretary of Commerce  
(Alexander)*

WASHINGTON, December 27, 1919.

SIR: I have the honor to refer to previous correspondence with your Department regarding the proposed treaty between the United States and Great Britain, concerning port privileges of fishing vessels, lobster fishing, halibut fishing, and tariff on fresh fish. This treaty is in process of negotiation upon the basis of recommendations made by the American-Canadian Fisheries Conference, the American members of which were your predecessor, Mr. Redfield; Mr. Sweet, the Assistant Secretary of Commerce; and Dr. Smith, Commissioner of Fisheries.

I now hand you herewith a copy of a letter received from Senator Wesley L. Jones of Washington,<sup>28</sup> commenting upon the proposed treaty. Since most of the matters referred to involve facts not within the knowledge of this Department but known to the members of the Conference, I am referring this letter to you with the request that the members of the Conference inform me of their views upon the criticisms made.

In this connection, I hand you herewith a copy of the draft of the treaty as formally submitted to me by the British Government.<sup>29</sup> In this draft of the treaty, a new Section V has been inserted which did not appear in the draft examined by Senator Jones. Accordingly, Senator Jones' references to Articles V, VI, VII, and VIII, now relate to Articles VI, VII, VIII and IX.

I have [etc.]

FRANK L. POLK

<sup>28</sup> *Supra*.

<sup>29</sup> Not printed; with the exception of minor changes, the same as the draft of Oct. 24, p. 258.

## **CHILE**

### **THE TACNA-ARICA QUESTION**

(See pages 123 ff.)

# CHINA

## POLITICAL AFFAIRS<sup>1</sup>

Report on Political and Economic Conditions for the Quarter Ending  
December 31, 1918

893.00/3040

*The Minister in China (Reinsch) to the Acting Secretary of State*

[Extract]

No. 2583

PEKING, *March 10, 1919.*

[*Received April 7.*]

SIR: I have the honor to submit the following report on the general political situation in China during the quarter ended December 31st, 1918:

### 1. POLITICAL INFORMATION

#### A. DOMESTIC

##### (1) *Political observations and developments.*

During the quarter under review, the civil war and the attempts made to bring it to a conclusion have remained the principal subject of interest in the domestic situation.

The actual military situation from the beginning of the quarter until the declaration of the armistice on November 18th remained practically stationary, with the Southern forces in possession of the southern half of the province of Fukien, a portion of the province of Hunan, practically the whole of the province of Szechuan, and an undefined portion of Shensi, in addition to the four provinces of Kwangtung, Kuangsi, Kweichow and Yunnan, comprising the original Southern Federation. No important military operations were undertaken by either side although there was much desultory fighting between small bands of Southern troops and bandits on the one hand and Northern garrison troops on the other, in Fukien and Shensi. Both of these provinces and Hunan suffered severely from the ravages of bandits, whose operations have been greatly facilitated by the breakdown of governmental authority. In Shensi in particular conditions have become indescribably chaotic, where there appeared to be at least four regular armies operating and an indefinite number of brigand bands. The impossibility of determining

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<sup>1</sup> Continued from *Foreign Relations*, 1918, pp. 83-137.

exactly which troops are brigands and which are regular forces of either the North or the South has led each side to accuse the other of a violation of the terms of the armistice.

Upon the assumption of office by H. E. Hsu Shih-ch'ang as President on October 10th, Gen. Tuan Chi-jui resigned his post as premier in favor of Mr. Chien Nung-hsun, who was at the time Minister of the Interior. Mr. Chien showed a marked disinclination to accept the post but was finally persuaded to do so on the understanding that the appointment would be temporary only: his personal intimacy with the President no doubt was a further inducement. For some time a complete reorganization of the cabinet was anticipated; but owing to the difficulty of securing parliamentary ratification of a new cabinet and to the exigencies of politics, the old Tuan cabinet has remained in office with only one important change, the resignation of Tsao Ju-lin as Minister of Finance and the appointment of Mr. Kung Hsin-chan in his place. This has not tended to strengthen the position of the President as Mr. Tsao Ju-lin, who retained his portfolio of Minister of Communications, remains the dominating figure in the cabinet, and is intimately associated with the Northern military party which is in opposition to the President's domestic peace policy. It must also be noted that the Northern Parliament, which was elected under the auspices of the military clique, is still entirely dependent, as to its majority, upon the same, and will therefore not ratify any cabinet appointments which are not agreeable to the inner Tuan Chi-jui-Tsao Ju-lin combination and their foreign mentors.

It was generally believed that President Hsü would make the termination of the civil war the object of first importance in his domestic policy, and this belief has been amply substantiated by events. The peace campaign in the north was inaugurated by an unofficial conference in Tientsin between a number of prominent civilian officials, including Mr. Liang Shih-yi and Mr. Hsiung Hsi-ling, ex-premiers, Mr. Chow Tze-chi, ex-Minister of Finance, and a number of other political leaders, which resulted in the formation of a widely supported society pledged to furthering the cause of peace. The three Yangtze tuchuns, headed by General Li Hsun of Nanking, represented the military element in this association. The agitation in favor of peace launched under these auspices was further increased by the issue on October 24th of a peace mandate by the President.<sup>2</sup> This was a typical Chinese document, ambiguous in its phraseology and containing no definite plan of action but of importance as marking the first definite step toward overtures to the South. In passing, it may be mentioned that in this mandate President Hsü made a prominent reference to the views of Presi-

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<sup>2</sup> See *ibid.*, pp. 118-119.

dent Wilson as set forth in his public speeches and commended them to the consideration of his countrymen. With a view of coming to some understanding with the Northern military leaders before proceeding further with his peace project, President Hsü summoned to Peking early in November the military governors (tuchuns) of Fengtien, Kirin, Hupeh, Kiangsi, Honan, Shansi, Shantung and Chihli. The tuchuns of Kiangsu and Hunan were represented by proxy. The President is believed to have discussed the situation with them very frankly and to have pointed out the absolute necessity, both from a financial and a political point of view, of the termination of the civil war at the earliest possible moment. He finally obtained their assent to a proposal to order the cessation of hostilities by the Northern forces, which was thereupon embodied in a mandate published on November 18th. This was followed by a similar order to the Southern forces issued by the "military government" at Canton. It is believed that the action early in November of the Diplomatic Body in Peking in refusing to assent to the release to the Northern government of the surplus from the customs revenue emphasized the grave view of the Chinese domestic situation entertained by the friendly Powers.

It will be recalled that on October 29th [25th?], after a possible Anglo-American mediation had been suggested and discussed with approval by the Chinese press, the Japanese government expressed to the governments associated in the war its grave concern over the continued civil strife in China and suggested the propriety of a joint representation to the Chinese government of the desirability of reuniting China and restoring peace at the earliest possible moment.<sup>3</sup> To this proposal the American Government gave its assent on November 16th<sup>4</sup> and following the assent of the other Powers interested, an *aide memoire* was presented informally to the Chinese Government on December 2nd.<sup>5</sup> An identical *aide memoire* was presented on the same day to the leaders of the Southern government by the consular representatives in Canton, of the Powers concerned.

Following the declaration of the armistice, informal conversations took place between the Northern and Southern leaders with a view to the convocation of a peace conference, in which General Li Hsun, Tuchun of Kiangsu, took a prominent part. As a result thereof, each side undertook to appoint a number of delegates to discuss the terms of settlement, who were to meet on a footing of equality. Mr. Chu Chi-chien, formerly Minister of the Interior, and an intimate friend of President Hsu, was appointed chief

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<sup>3</sup> See *Foreign Relations*, 1918, pp. 114-115.

<sup>4</sup> See *ibid.*, p. 120.

<sup>5</sup> See *ibid.*, p. 134.

Northern delegate, and Mr. Tang Shao-yi, ex-premier, the chief Southern delegate. It was agreed further that neither delegation should enter the conference bound by definite instructions. The appointment of the Northern delegates had been made by the end of the year, but the selection of the delegates to represent the Southern Government evidently gave considerably difficulty and was not completed until some time later.

It is understood that the conference will be asked to reach a decision on three main points: the definition of civil and military authority throughout the country, with particular reference to provincial administration; the definition of the respective rights and duties of the central and provincial governments; and the solution of the constitutional problem at issue. It is understood that the conservative civilian opinion in the North in regard to these three questions is somewhat as follows. The military control of provincial administration should be entirely abolished; the army should be greatly reduced; the country should then be divided into military districts without any special relation to provincial boundaries, to which districts commanders should be appointed; and the army should be under the direct control of the Central Government. The civil governor should be the chief provincial authority and should work without any interference on the part of the military. As to division of powers, it is proposed that the Central Government should undertake the conduct of foreign affairs, the collection of customs duties, salt, wine, tobacco and other excises, the service of the national debt—both foreign and domestic—, the upkeep of the army and navy, and the administration of posts, telegraphs and means of communication. All other matters should be left for provincial administration. It is admitted that the solution of the constitutional question will prove difficult, but it is hoped that the two parliaments now in existence may each elect a limited number of representatives, probably about fifty, to meet and function as a constituent assembly to draft a new constitution under which a new parliamentary election can be held. In event of the conference reaching a deadlock on this or any other important issue, it is suggested that an extra-constitutional national assembly partaking of the nature of a constituent body should be formed at Shanghai by delegates of the provincial assemblies, of Chambers of Commerce, of educational bodies and of agricultural and other societies, which would be truly representative of the national life of China and which would therefore be in a position to speak authoritatively on the question at issue. Failing the formation of a constituent assembly by the two parliaments as mentioned above, this assembly could then function as such and draft a constitution.



There seems to be a much wider divergence of opinion in regard to peace terms amongst the Southern leaders than amongst the civilian officials of the North. The proposals to reduce the national army to a minimum naturally will be acceptable to the South, as will also the elimination of military interference in the provincial administration. However it is probable that the South will seek a provision for the local election of provincial civil governors rather than their appointment by the Central Government. A number of extreme radicals wish to insist on the punishment of the principal Northern Military leaders: as these leaders control the Northern armies, it is obviously impossible for the Northern Government to agree thereto. Finally there is the widely held view that the Peking Government must recognize the legality of the old parliament now meeting at Canton. It is believed that the principal difficulty will arise in connection with the solution of this constitutional question, more particularly as there is manifest a disposition on the part of the South to insist on its settlement before any discussion is had of such reconstruction measures as the disbandment of troops and the reestablishment of the civil administration. This is especially true of those politicians intimately connected with the old parliament and of the adherents of Dr. Sun Yat-sen. Inasmuch, however, as Chinese politics are largely personal, it is quite possible that the judicious distribution of governmental power may greatly facilitate an agreement in regard to constitutional questions.

During the quarter, the desultory warfare which has been carried on for the past two years between the Chinese and Tibetans on the borders of Szechuan was brought to an end by the conclusion of an armistice for one year, during which time it is hoped that the Chinese Government may approve the conditions of the armistice as a basis for a final settlement. The terms of this armistice are of purely local interest. Recent Consular reports and press telegrams indicate that disturbances on the border are still continuing. It appears that there are a number of large organized bands of Tibetan marauders operating there and that the menace is so serious as to threaten the garrison towns of Batang and Tachienlu.

It is a practical impossibility in any general discussion of Chinese affairs to consider politics apart from finance, as the two are interrelated and inextricably confused. Indeed the problem of government finance at the present moment is the keynote of both the foreign and the domestic policy of China. Hence while a more detailed discussion of recent financial operations will be undertaken under the appropriate heading of this report, it is necessary to take certain salient features into consideration in reviewing the development of the domestic situation. For some time there has been a regularly recurring monthly deficit of about Mexican

\$8,000,000 to \$10,000,000 due to the abnormal expenses of the military establishment. To meet this recourse has been had to a number of miscalled "industrial" loans negotiated with a group of Japanese banks, which, while not members of the Consortium, nevertheless have been operating with the approval of the Japanese Government. For a detailed discussion of this I beg leave to refer to the Legation's last quarterly report. The proceeds of these loans almost without exception were applied to the expenses of the Government in its domestic military adventures. Without such loans the late (Tuan Chi-jui) government would have been unable to have continued its policy of the attempted coercion of the South, and it seems clear that the ascendancy of the Northern military clique in Peking has been based entirely on this Japanese support. The popular demand for peace, however, backed as it was by the political strength of the civilian officers, proved too strong for even the military clique to disregard, and they were forced therefore to assent to the President's peace programme, although it is known that at heart many of the military leaders are opposed thereto, in the belief that a sweeping reduction of the army will affect their positions disastrously.

The position of the President and peace party is difficult in the extreme. Without here entering into any discussion of the economic problems of disbandment, it may be stated that to effect an adequate reduction of the various armies will require for back pay, extra pay on discharge, pensions, transport, etc., about Mexican \$50,000,000. There is no possibility of obtaining this amount without recourse to a foreign loan, to which none of the powers will consent until the domestic peace conference comes to some agreement. Funds from the recent Japanese loans, available only through the military clique and Mr. Tsao Ju-lin, their spokesman in the Cabinet, are barely sufficient to meet even current expenses, and are earmarked for the upkeep of certain military forces. The outlook is not a happy one. A lasting peace cannot be had without the re-establishment of the civil authority and the suppression of provincial military governors, which can be accomplished only by the disbandment of their forces: this cannot be carried out without a large foreign loan, which cannot be negotiated until a settlement of the domestic situation is assured: and this settlement is being obstructed not only by a number of extreme radicals in the south, but also by the military clique in the north, which includes a number of the members of the government, and which is receiving financial assistance from Japan.

From this brief survey it is apparent that the question of peace or war in China, the problem of domestic politics at present, is mainly a financial one: whichever party is able to command the necessary financial support abroad will be able to dictate the policy

of the government. Despite disclaimers to the contrary, in the recent past and at present it is the Northern military clique which has received this foreign financial assistance.

Finally, it should be noted that the President and the peace party are almost without military support, as the Northern armies generally are under the control of the provincial military governors, of whom only one or two may be depended upon absolutely to support the President; while such troops as may be considered national in character are controlled by the prominent militarists in Peking. Even those forces especially chosen for the protection of China's frontiers and for foreign service are beyond the control of the internationally recognized government of China. It will be recalled that in order to facilitate defense measures on the Siberian frontier and to participate more effectively in the Siberian expedition, China organized a special independent department of government known as the War Participation Bureau. This Bureau was charged with the duty of carrying out the provisions of the Sino-Japanese Military Agreement of May last, and has enjoyed especially close relations with Japan. After the resignation of Tuan Chi-jui as Premier, this Bureau became the stronghold in the government of the military clique. Special troops had been placed under the control of the Bureau for the purposes indicated above, and special funds had been set aside for its expenses. It is unfortunately beyond question that the War Participation Bureau instead of using these troops for the purposes for which they had been provided, attempted to make of them a weapon to further the political ends of the military clique. An attempt, which failed, was made by a part of this force to seize the strategically important port of Pukow, which would have resulted in neutralizing the support of General Li Hsun of Nanking to the President and peace party. It is stated and is probably true that the troops under the direction of the War Participation Bureau were used in the civil war operations in Fukien and Shensi. The perversion by the War Participation Bureau to the furtherance of the petty domestic aims of the military clique of the funds and men which ought to have been used for strengthening China's international position, through prosecution of the joint war aims of the Allies, has aroused the bitterest of comments and feeling in China, and shows perhaps more clearly than any other single act the entire lack of patriotism and statesmanship which characterizes the military party in China. Nor can the military party of Japan, which gave financial support to the War Participation Bureau, be exonerated from responsibility in this matter.

The lack of military support for the President and his following has suggested the possibility of a refusal by the Northern militarists to abide by any settlement reached by the forthcoming conference

which is unacceptable to them, and as any sound settlement must provide for the abolition of autocratic military government, this attitude, if adopted, must prove a very real danger.

Should the forthcoming peace conference fail to reach a speedy and practical settlement generally acceptable to the country, it would appear that the foreign powers will be faced with the necessity of electing one of three alternatives: to mediate; to select and support financially one faction, in the hope that it then could gain effective control; or to abandon China to a continuance of the civil war, which can only result in plunging the whole country into the anarchy already existent in Shensi, and in parts of Szechuan, Hunan and Fukien.

(2) *Attitude towards the war.*

The failure of the late Tuan Chi-jui government during President Feng's administration to take China's position as a co-belligerent seriously or to put into effective operation any restraint on enemy activity in China has already been touched upon. When President Hsu had assumed office, consultations took place between the missions of the Powers associated in the war, with a view to making clear the deficiencies of the previous administration and strengthening the hands of the President for effective action. Special delinquencies of certain individual officials also required attention. The President himself was known to be anxious that China should display more energy in fulfilling the duties which the war had thrust upon her, and he anticipated the general conference on this matter which had been suggested by the foreign representatives, by ordering the immediate adoption of necessary measures. While no official or unofficial representations were made to the Chinese government, the associated Ministers had agreed on a statement which was to serve as a basis of conversations. The principal points therein were the application of funds remitted from the Boxer Indemnity to partisan strife and political intrigue instead of to the development of the resources of the country in order that she might be fitted to render assistance to the Allied governments; the employment of the troops of the War Participation Bureau in internal disputes instead of for the purposes for which they were nominally raised; the failure adequately to deal with brigandage, with the resulting diminution of China's ability to render economic assistance to the Allies, as well as the direct losses to foreign trade and traders; the attempt of the Chinese government to enter into direct relations with the Vatican without any consultation with its associates in the war, which suggested enemy influence; the failure adequately to enforce the prohibition of trading with the enemy, the control of enemy activity, or the internment of dangerous enemy aliens; and finally a number of

cases of delinquencies, on the part of individual officials. The discussion of these matters, while only slightly affecting the activities of the War Participation Bureau, resulted, however, in more energy being displayed in regard to internment, a half-hearted beginning on which had been made shortly before, in the sequestration of enemy trading concerns and in the dismissal of two or three notorious officials. A further result was the ratification by the Peking Parliament of the declaration of war of the preceding August by the House on November 2nd and by the Senate on November 5th. At the time President Feng declared war, parliament was not sitting, the old parliament having been "dissolved" and no new parliament elected. The election of the new parliament took place during the summer of 1918 as reported in the last quarterly report. The "dissolved" parliament meanwhile had "resumed" its sittings at Canton and had declared a state of war some time before.

The Chinese Government issued a White Book during the quarter, publishing various documents dealing with China's war relations. The only portions of this which attracted much public attention were the notes of the Dutch Legation to the Government in regard to various questions affecting German interests. It was felt that the Dutch Legation had strained its position as a neutral mission in its endeavors to protect German interests. Apparently as a result of informal representations to this effect at The Hague, His Excellency Jonkheer Beelaerts van Blokland, the Dutch Minister, has been recalled by his Government, and Mr. Oudendijk appointed in his stead. Mr. Oudendijk received part of his education in the United States: he was for many years attached to the Dutch Legation in Peking and speaks Chinese fluently.

China's response to the appeal for the United War Work Campaign was most gratifying. Over a million dollars gold were subscribed, the largest single contribution being one hundred thousand dollars Mexican from the Chihli Provincial Assembly. It should be noted that the *Shun Tien Shih Pao*, the leading Japanese daily in China, bitterly attacked the Chinese for the enthusiastic response to this American appeal.

While the mass of the Chinese has little knowledge of foreign affairs, did not know what the war meant and therefore remained apathetically indifferent to it, so that the dramatic collapse of the Central Powers came as a surprise to most Chinese, yet the thinking people were on our side especially since America entered the war. The Peking Government, controlled by a narrow clique without national authority and supported by foreign money, did not lead the nation effectively to a realization of their best interest. But China was profoundly relieved by the cessation of war and showed a some-

what belated enthusiasm for the Allied cause. This is no doubt due in part to the hope generally expressed that China may obtain at the Peace Conference a satisfactory solution of the Shantung and other cognate questions, in which China feels that Japan took advantage of the preoccupation of the Powers to deal unfairly and harshly with China.

The appointment of the Chinese delegation to the Peace Conference aroused some discussion, the Southern Government claiming that the delegation should include both Northern and Southern representatives and should be approved as a whole by the Canton Government. The delegation as originally appointed was purely Northern and was headed by Mr. Lu Tseng-hsiang, Minister of Foreign Affairs. Subsequently, in response to sound advice and in the hope of meeting the Southern views, the Government added the names of Mr. C. T. Wang and Mr. C. C. Wu, both prominent Southern leaders, to the delegation. Mr. C. T. Wang at once accepted, and with Mr. Wellington Koo has played a prominent part. Unfortunately the *modus operandi* was not approved by the Southern parliament, which has since endeavored to appoint an independent delegation, and has repudiated Mr. Wang for accepting an appointment at the hands of the Northern government. Actually, however, the country is united in spirit in support of the delegation in its attempts to secure an impartial settlement of China's difficulties.

The only war measure arousing special interest in China during the quarter was the proposal to place the Russian railways under Allied control. As the scheme included the administration of the Chinese Eastern Railway, China has not ceased to urge her claims to a special position based on the ground that that line is a joint Sino-Russian undertaking, and that should Russia be unable to operate this joint undertaking satisfactorily, China, as the other party in interest, should be permitted to do so. It is felt that this attitude is largely the result of the fact that the negotiations seeking to find a satisfactory scheme for the administration of this and other Russian lines were carried on between the United States and Japan, whose intentions in North Manchuria China views with more than a little suspicion, and that China was not directly consulted in regard to a property in which she has an important present interest as well as to which she has a reversionary right. The action of the Japanese troops in brusquely assuming policing rights along the railway and in the railway zone did not improve matters.

As a matter of fact independent reports from many parts of the country agree in attributing the pro-German feeling which indubitably existed amongst many Chinese as much to the widespread antipathy to Japan as to the result of German propaganda.

## B. FOREIGN

(1) *Relations with foreign countries.*

The Japanese question continues to dominate China's foreign relations to the exclusion of practically every other consideration. As in the past China's foreign policy—if such it may be called—is purely passive: she pays scant heed to the development of trade or intercourse with foreign nations, and considers foreign affairs only in so far as they react on her domestic problems. Thus her foreign policy throughout the war, which was instinctive rather than deliberate, was to stave off Japanese aggression as well as might be until such time as the western powers could again come to her assistance by reestablishing the equilibrium of foreign influence in China.

Apart from these special considerations, the result of conditions brought about by the war, China desires a general revision of the treaty engagements governing foreign residence and trade. This desire has found expression in a number of suggested programmes for adoption by the Chinese delegation to the Paris Conference, all of which provide for the gradual abolition of extraterritoriality, the return to China of all foreign concessions, settlements and leased territories, and the removal of all treaty restrictions on complete tariff autonomy. Unfortunately there does not appear to be the determination to bring about that reform of China's judicial and administrative departments which alone would justify the abandonment of the peculiar privileges now enjoyed by foreign residents. Not only is the present provincial administration the worst since foreign intercourse with China first began, but even where China has had a special opportunity to demonstrate her fitness to assume the rights and duties which she claims, she has failed to do so. For example, the administration of the late German concession in Hankow, now being carried on by a Chinese Special Administrative Bureau, is so inefficient as to have led to universal complaints from the foreign residents in Hankow.

It has been stated that China's recent foreign policy has been dictated by a fear of Japan, and it is believed that this is essentially true, although the official history of the past year would appear to contradict this assertion. The explanation lies in the exigencies of China's financial position. As already remarked, as a result of the extraordinary increase of military expenditure brought about by the civil war, China is faced by a monthly deficit of upwards of \$8,000,000 Mexican. As she has been unable to meet this by domestic loans, and as no other Power was willing to lend her funds for the prolongation of the civil war devastating the country, the Government turned to Japan for financial assistance, and negotiated the series

of "industrial" and other loans already remarked in preceding reports. In spite of the fact that the Northern military party is strongly under Japanese domination, it is not believed that the leaders of even this party are genuinely pro-Japanese: it is rather the case that their patriotism is not sufficient to prevent their seeking assistance from Japan at a ruinous price to further their own immediate political ends. Were money available from any other source it would be accepted equally or more willingly. Thus we have the curious spectacle of national indignation at and opposition to the spread of Japanese influence and control in China, while the Peking government continues to function solely by virtue of Japanese financial assistance. Obviously under the circumstances a firm stand in defense of China's rights is impossible. Any attempts therefore to oppose the extension of Japanese "special interests" in China and all that is connoted by that phrase, are doomed to failure unless those attempting the opposition themselves are prepared to afford to the Government the financial assistance which is indispensable at present. And this in spite of the fact that the President, civilian leaders, and the country at large are only too anxious to see an extension of non-Japanese foreign influence as an offset to the predominant position acquired by Japan during the European war.

It may be noted in passing that upon the assumption of office by the Hara Ministry in Japan there was a generally expressed hope that Japanese policy in China would be somewhat modified and shorn of its harsher aspects. The selection of Mr. Obata, who had made himself most unpopular by his overbearing attitude at the time of the Twenty-One Demands, to be Japanese Minister in Peking in succession to Baron Hayashi was not calculated to further these hopes, and as a matter of fact no fundamental change in Japan's China policy has taken place.

On September 24th last there were exchanged in Tokyo notes between the Japanese Foreign Office and the Chinese Minister for the settlements of the Shantung railway question, by which, in return for an advance of Yen 10,000,000 on account of the loan for the construction of the extensions of the Tsinan-Tsingtau Railway, and the undertaking of the Japanese Government to withdraw the guards along the line of the railway and to give China some share in its administration, China agreed to engage Japanese officers for the railway police and to operate the railway as a joint Sino-Japanese concern, no matter what disposition might officially be made of it. It should be noted that this attempt to vitiate in advance the possible action of the Paris Conference has never been formally ratified by the Chinese Government: this is held to be



unnecessary by the Japanese Minister in Peking and by the Chinese Minister of Communications.

(2) *Attitude towards the United States and Americans.*

The frequently remarked popular esteem in which the United States is held in China was, if possible, increased by the events of the quarter under review. There is no doubt that the Chinese were greatly impressed by the sudden collapse of Germany following so closely upon the appearance of American troops in France, who were generally credited by the Chinese with an even greater part in the common victory than an impartial judge might consider warranted. China had always considered the United States as a financially powerful nation, but of only secondary importance from a military point of view. The display of such great and unexpected strength has increased markedly American prestige in China. As a result the popular belief has gained ground in China that the United States will champion China against Japan, the ordinary Chinese being incapable of realizing the relative importance attributed in the United States to questions of western and eastern politics.

The second factor which has made for American popularity is the series of speeches made by President Wilson in regard to the self-determination of peoples and the rights of weaker nations. Not only does any championing of right against might appeal strongly to the Chinese national instinct, but again the Chinese have read into these speeches a promise of the deliverance of China from foreign, or in other words Japanese, aggression. It is needless to say that the League of Nations is warmly endorsed by China.

As against this popular enthusiasm for things American, there is a strongly marked vein of cynicism in the higher official view of the United States. She is credited with being sincere in her professions of friendship for China but it is believed that her actions fall short of her words. That in practice she does not consider China of sufficient importance to justify a forcible insistence on the *bona-fide* application of the "open door" principle. Similarly with regard to the economic development of China, it is difficult to convince these officials that the United States is serious in the proposals which she has made from time to time for railway and other constructive work. They point to a number of past failures to carry out widely advertised plans and to the delay in commencing work on more recent concessions, and conclude again that more has been promised than will be performed. For these reasons it is of great importance that every effort should be made to give some tangible proof of the sincerity of American enterprise in China.

## C. PROPAGANDA

(1) *Activities of enemy propaganda.*

During the past three months the work in China of the Committee on Public Information under the able direction of Mr. Carl Crow has done much to increase American prestige and popularity. Two main lines of work have been adopted. An elaborate list of local officials and persons of importance has been compiled with the assistance of American residents throughout the country, to whom literature in Chinese is sent. In this way President Wilson's speeches for example have been given the widest publicity with most gratifying results. There is no doubt that Mr. Wilson is now the most widely known foreign statesman in China.

A news service has been organized which is to be made self-supporting. Through this service American news and world news from an impartial American viewpoint is distributed in Chinese to various vernacular papers. Of course the initial success of this service has been facilitated by the Committee on Public Information press service, and by the Lyons wireless service from France. It is believed, however, that the usefulness to American national interests of this news service is so great that every assistance should be given to make it permanent, even to the extent of a subsidy, if necessary. Heretofore American news has reached China only through the medium of foreign controlled services, such as Reuter's (British), Havas (French) and East Asiatic Lloyd (German), and more recent Japanese agencies. Naturally little prominence is given to American news, and it is often colored for national purposes.

Enemy propaganda has naturally suffered an eclipse as a result of the collapse of the Central Powers. A few isolated cases have come to the knowledge of the Legation of post-war German propaganda, which, however, appears to have taken the rather unintelligent form of denying the truth of the news of the German defeat. As German propaganda was directed to inculcating the belief that Germany could not be defeated by the Allies, it has now defeated its own ends. Reports from the interior indicate that most of the German missionaries in China, including a few attached to American missions, have been active in spreading German views and ideas. The liquidation of the German Bank and the internment or deportation of the known directors of German propaganda should put an effective end to all organized enemy effort in this line.

The only really dangerous feature which still remains available for enemy use is the anti-Japanese feeling in China, which has been made the basis of a number of attempts to engender distrust of the other Allies.

## 2. ECONOMIC INFORMATION

## A. ACTUAL ECONOMIC CONDITIONS

The outstanding feature of the economic situation in China during the quarter under review was the continuance of the disturbed internal conditions noted in the Legation's last quarterly report. As mentioned elsewhere in this report, no serious military operations took place except in the Province of Fukien. Brigandage, however, increased and assumed alarming proportions in the provinces affected by the civil war, namely, Kwangtung, Fukien, Hunan, Szechuan and Shensi as well as in Shantung and Manchuria. Internal trade and industry was practically paralyzed in Shensi, Hunan and large parts of Szechuan and Fukien in consequence of these conditions. This prevalence of brigandage is due in part to the weakening of authority in the provinces affected as a result of the civil war, and in part, especially in Fukien and Shensi, to the action of the Southern military leaders in seeking the cooperation of brigand bands in their warfare against the Northern forces. From numerous reports received it appears that the *bona-fide* Southern forces as a whole have been well-behaved and orderly, probably more so than the Northern forces, but that they exercise little, if any, control over their bandit allies.

In Shensi, conditions have been particularly chaotic.

The Consulates in the districts concerned all report a shrinkage of trade, due to these unsettled conditions. Further, there has been a large destruction of property, whole districts in Fukien, Hunan and Shensi having been systematically looted. Agriculture has been interfered with by the requisitioning of animals for military purposes, by forced labor for transport, and by the brigand danger, which has made it unsafe for farmers to till their fields or to reap the harvest except under military protection.

In Hunan and Szechuan the economic distress has been accentuated by reckless issuing of unsecured paper money. According to an estimate of an official in the Ministry of Finance, the province of Hunan alone has outstanding Mex. \$100,000,000 in copper cash notes, \$70,000,000 in silver dollar notes, and \$20,000,000 in tael notes, exclusive of smaller amounts issued locally in certain magistracies, against none of which is any specie reserve held. Under the circumstances, it is not surprising that such notes have ceased to have anything but a nominal value. The authorities have managed to force the currency of such notes by using them for the payment of the troops, who in turn force their acceptance at from four to five times their market value in payment for purchases made.

Beyond question the present intolerable economic conditions are the result of the breakdown of the Chinese civil administrative system and the substitution therefor of an irresponsible military despotism, a production of the chaotic political conditions and the struggle for personal power of the past five years. It would seem vain to hope for any general improvement until the administration of government is once again put on a sound basis and the power of the provincial military autocrats is brought to an end.

In spite of the depressing political outlook, signs are not lacking of an industrial awakening in China. The possibilities of the cotton industry are attracting attention. A lecturing tour, arranged by the Ministry of Agriculture and Commerce, was carried out along the line of the Peking-Hankow Railway with the object of introducing the cultivation of American cotton. A number of new cotton spinning mills have been opened during the past few months, especially in Tientsin where the aggregate number of spindles in the new mills totals 115,000. During December the government appointed Mr. Chou Hsueh-hsi, ex-Minister of Finance, to be Director General of the cotton industry. It may be mentioned incidentally that Mr. Chou is greatly interested in a proposal to form a Sino-American industrial bank, which will have for one of its primary objectives the development of the cotton industry in China. The great interest now being taken in cotton production and manufacture is due partly to the very profitable operations of existing spinning mills in Shanghai during the period of the war and partly to the ever-increasing demand from Japan for raw cotton. The formation of two new steamship companies was reported during the quarter, one to operate on the Pacific and the other on the Yangtze. The former has chartered six small freighters from the China Merchants' Steam Navigation Company and the latter has bought out the river fleet of a small British company. At Hankow a stock company has been formed to engage in agricultural pursuits. In Shanghai a company capitalized at Mex. \$2,000,000 has been formed to manufacture paper. In Shansi an existing Chinese company has in view the establishment of a steel producing plant.

The establishment of these various joint stock companies is conceived to be no more than an indication of a change which is gradually taking place in China. In the past Chinese capitalists, while often large holders in foreign stock companies, have shown no willingness themselves to form the large domestic corporations essential to the proper development of national industries. Capital for industrial development remains the most urgent need of China and it is the more encouraging therefore to find indications at last of a

disposition on the part of Chinese of property themselves to assist in meeting this need.

The problem of railway construction in China, one of the most important economical questions to be solved, has been widely discussed recently. It is generally admitted that the present system of the construction of certain specific lines with foreign borrowed capital is unsatisfactory, first, because the foreign control which is exercised in the interest of bondholders tends to perpetuate foreign spheres of influence, and thereby to restrict the free development of the Chinese railway system, second, because both the financing and the construction of railways under such a system are unnecessarily expensive, and third, because the adoption of diverse standards on the various lines operates against efficiency and economy of administration. With a view to minimizing or eliminating these objections, and possibly as a result of the proposals of the American government looking to the formation of a new international consortium, a number of proposals for the international financing of Chinese railways have been informally discussed. Of these some have provided for a Chinese railway service under foreign direction, to which however the Chinese government is not likely to consent. Nor would it seem that foreign direction is essential. The essential features would appear to be, first, the internationalization and unification of all existing railway lines, second, the international financing of the redemption of existing lines and the construction of new lines, third, the entire elimination of direct control by the financing group over construction work, fourth, the adoption by a qualified technical board, including foreign experts, of standards for construction and equipment, and fifth, the provision in the interests of the bondholders of a rigid system of inspection of construction, management and accounts. On the Chinese side it would be necessary for the Government formally to pledge itself to the creation and support of a railway service based purely on efficiency. Such a proposal it is believed would be welcomed by the Chinese Government.

The operation and economic usefulness of the existing railway lines have been seriously affected by the internal disturbances. For this, military interference with the management of the railways, and the requisitioning of cars for military purposes, are principally to blame, although to some extent the deterioration of the railways is due to the chronic financial disability from which all departments of the government suffer. Conditions are especially bad on the two north and south trunk lines, namely the Tientsin-Pukow Railway and the Peking-Hankow railway. The shortage of freight rolling stock on the latter has become so acute as to have led the foreign

trading community of Hankow to lodge a formal protest with the Diplomatic Body in Peking. Those concerned allege that in some cases cargo has been waiting for months at interior rail points for transport, while in other cases contracts already made have had to be cancelled owing to the inability of shippers to secure transport for goods already purchased in the interior. For the same reason Hankow has been suffering from a coal famine. It is known that very similar conditions exist on the Tientsin-Pukow Railway, although perhaps not to the same extent. With the possible exception of the Shanghai-Nanking Railway, every line in China appears to be insufficiently equipped with rolling stock to handle the freight offering. Passenger traffic is equally affected. Carriages of all classes are infested with unclean soldiers, who apparently travel at will and are under no restraint whatever. Needless to say they pay no fares. The danger from brigands to the Tientsin-Pukow Railway became so acute during December as to cause a change in the company's time table whereby the running time between Pukow and Tientsin was increased by several hours, in order to pass the danger points during daylight. As evidencing the entire worthlessness of the existing Chinese soldiery, it may be remarked that it is in these same bandit-infested regions that the soldier nuisance is at its worst.

On November 18th the Chinese Director-General of the Hukuang railways applied to the Peking representatives of the American, British and French financing groups of that railway for a further loan of £4,000,000 in accordance with Article 15 of the Hukuang loan agreement, alleging that the administration had long ago exhausted the original loan of £6,000,000, and that for some time past the Ministry of Communications had been supplying working funds for the Wuchang-Changsha section amounting to Mex. \$120,000 a month. The Director-General pointed out that construction work should also be undertaken on the section between Chuchow and Canton, whereupon the expenses of the Wuchang-Changsha section would be reduced by the transfer of the engineering staff to the Southern section to undertake construction work. In case the Consortium should be unable to make the desired loan, the Director-General requested a silver advance of from \$70,000 to \$100,000 monthly to be deducted from the loan when ultimately made. This request was referred by the Peking representatives to their principals but no reply has yet been received. In this connection the Peking representatives of the group[s] drew the attention of the Minister of Communications on December 27th to the fact that about Mex. \$1,000,000 is due to the Wuchang-Changsha section of the railway by the Ministry of War for the transportation of troops; they pointed out that it was not possible for them to press their principals

for further advances while this large sum remained due to the railway, and requested the Minister of Communications to press for an early payment in order that the funds concerned might be made available for the use of the railway. No reply had been received from [by?] the groups up until the end of the year. The whole question of construction work on the Hukuang railways is complicated by the fact that the German group was one of the original partners in this enterprise and had assigned to it for construction the section between Hankow and Ichang. This is the most important section of the whole system, as it would be of little practical use to construct the American section from thence to Chengtu without the connecting section from Ichang to Hankow. The unconstructed portion of the British section from Chuchow to the present rail-head in Kwangtung, while of strategic value and of convenience to passenger traffic, is not an urgently needed line from an economic point of view, as it passes largely through undeveloped country of extreme difficulty from an engineering point of view.

As pointed out in the Legation's despatch No. 2438,<sup>2</sup> it would probably be possible to obtain from the Chinese Government the right to take over the construction of the German section which, taken in conjunction with the present American section of this system and the Siems-Carey options, would enable a trunk line to be built from Chengtu to Hankow under purely American control. It is unnecessary to point how great would be the advantage of Americans holding the option for the construction of such an important line should it be decided to attempt the international pooling of Chinese railway construction. At the present moment in putting forward such a project the American interests have to offer as their share of the pool only the American section of the Hukuang railways and the somewhat vague Siems-Carey options, a number of the projected lines under which are protested by one or the other of the Powers as infringing options previously granted them.

In connection with the construction of the projected extensions to the Shantung railway, discussed in detail in the Legation's last quarterly report, I venture to invite attention to a statement made to the American Consul at Tsingtau by the Japanese civil administrator at that port, quoted in the Consul's despatch No. 243 of February 18th,<sup>3</sup> to the effect that the revenue of the Shantung railway, amounting to between 7,000,000 and 10,000,000 silver yen per annum, is to be expended in building these extensions. Inasmuch as the Japanese Government is merely operating this railway in a fiduciary capacity pending the ultimate decision as to its final disposition, it seems re-

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<sup>2</sup> Jan. 10, 1919; not printed.

<sup>3</sup> Not printed.

markable that the Japanese authorities should appropriate the earnings of the railway and lend them as Japanese funds to the Chinese Government to be first charges on railway extensions to be built. The original right of the Japanese government to seize this privately-owned German line has always been open to question, and it would seem, in the absence of any binding agreement between China and Japan to the contrary, that the Chinese Government would be entirely within its rights in dealing with this property as other German-owned private property in China. If the earnings of this railway are not the property of the German owners thereof, it would seem that in equity the Chinese Government has a first claim thereon. If the Japanese view that the German proprietary company is in effect a German government concern is found to be correct, the Chinese position is greatly strengthened thereby. It is difficult to see by what right the Japanese government can seize and hold German government property in China.

I have [etc.]

PAUL S. REINSCH

**Limitation of Foreign Financial Assistance to China Pending Reunification; Exception Made by Japan for the War Participation Loan—The Internal Peace Conference at Shanghai, Opened February 20, 1919; Demands of the Southern Delegation for Cessation of Hostilities and Disbandment of the War Participation Army; Adjournment of the Conference, March 2**

893.51/2104

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2380

PEKING, December 7, 1918.

[Received January 27, 1919.]

SIR: I have the honor to enclose copies of the statements issued by the Japanese Government in connection with the joint representations on peace in China,<sup>4</sup> and in connection with Japanese loan policy in China. In the latter it is to be noted that while it is asserted that financial assistance to China is to be withheld under certain conditions, a large opportunity is left to make financial and economic loans in such "enterprises as are the natural and legitimate outgrowth of special relations between the two neighboring and friendly nations." What is really meant by this clause would necessitate a great deal of commentary. I have the honor also to enclose a memorandum of a conversation which I had with the Japanese Minister on December 5th.<sup>5</sup>

I have [etc.]

PAUL S. REINSCH

<sup>4</sup> For text of representations, see *Foreign Relations*, 1918, pp. 134-135; Japanese statement concerning representations not printed.

<sup>5</sup> Not printed.



[Enclosure]

*Extract from the "Peking Leader" of December 5, 1918, Regarding Japanese Loan Policy in China*

The Japanese Government published the following statement in Tokyo on December 3:—

Mischievous reports of Japanese activities in China, more particularly with regard to the granting of loans, have for some time past been in circulation and have imputed to the Japanese Government intentions which are entirely foreign to them. For obvious reasons the Japanese Government cannot undertake to discourage financial and economic enterprises of their nationals in China so long as those enterprises are the natural and legitimate outgrowth of special relations between the two neighbouring and friendly nations. Nor are the Japanese Government at all receding from their readiness to render needed financial assistance to China consistently with the terms of all the declarations and engagements to which they are a party, should the general security and welfare of China call for such assistance. At the same time they fully realize that loans supplied to China under the existing conditions of domestic strife in that country are liable to create misunderstandings on the part of either of the contending factions and to interfere with the re-establishment of peace and unity in China so essential to her own interests as well as to the interests of foreign Powers. Accordingly the Japanese Government have decided to withhold such financial assistance to China as is likely in their opinion to add to the complications of her internal situation, believing that this policy will be cordially participated in by all the Powers interested in China.

893.00/2923 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, January 4, 1919, noon.

[Received 4.23 p.m.]

As the Southern authorities are unnecessarily delaying the appointment of their delegation to the Internal Peace Conference and are raising incidental questions about Fukien and Shensi Provinces where forces allied with them are meanwhile trying to advance and where Northern forces are being increased, it may be necessary to follow up the friendly representations made under your instruction of November 16, 6 p.m.<sup>6</sup> by a communication to both sides urging that the Peace Conference convene without delay. Unless instructed to the contrary I shall understand that I am to continue to cooperate with my British, French, Japanese and Italian colleagues in urging both sides to take the steps necessary for the internal peace.

REINSCH

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<sup>6</sup> *Foreign Relations*, 1918, p. 120.

893.51/2125

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2446

PEKING, *January 10, 1919.*[*Received February 15.*]

SIR: In connection with your telegraphic instructions relating to the proposed declaration on the part of the United States, Great Britain, France, and Japan to the effect that no financial support would be given to either party but that upon reconciliation being effected the said Powers would give financial assistance to the Chinese Government, I have the honor to report that the Japanese Minister called on me yesterday and made the following oral communication:

He stated that his Government was willing to join in such a declaration on condition that the reservations made in the explanatory note issued by the Japanese Government and communicated to you in my Despatch No. [2380], of December [7,] 1918, should be observed. He stated that in addition to the reservation made by his Government in the matter of loans of an industrial nature—or such as in the opinion of the Japanese Government could not have extra effect in retarding the reestablishment of peace—the Government of Japan was also constrained to permit a group composed of the Bank of Chosen, the Industrial Bank of Japan, and the Bank of Formosa to complete payments under a loan of Y.20,000,000 made in connection with the secret military agreement.<sup>7</sup> He stated that as this was a contract between the Banks and the War Participation Bureau, the Japanese Government was powerless to interfere to prevent its execution.

With respect to the discontinuance of the furnishing of arms and ammunitions to either party, the Japanese Minister stated that his Government was, also, in principal in agreement with this policy; that they however declined to join in a declaration of this kind because it might seem that such action would be considered designed particularly to restrain Japan which is the only country now able to furnish arms and ammunition to China and thus might cast reflection upon the Japanese. The Minister added that his Government found itself in this matter in the same position as stated above with respect to the War Participation Loan. The Tayieh Company had made a contract to furnish certain arms: it was impossible for the Japanese Government to interfere because loss might thus be occasioned to the Company through non-execution of its contract. It was a matter which therefore would have to be allowed to take

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<sup>7</sup> *Ibid.*, p. 224; also *post*, pp. 312, 342.

its course. He stated that deliveries of arms and ammunition were to be made until April 1919.

In a long conversation with the Japanese Minister, I went into the various phases of this matter frankly and fully. I stated that the proposal to give assurances with respect to the furnishing of arms was certainly not intended to, and could not reflect upon Japan because, as a matter of fact, other nations, particularly America, were now able to furnish arms and ammunitions to the Chinese.

With respect to the payment of the War Participation Loan to the War Participation Bureau I queried whether financial support extended to a small group of men interested in that Bureau would not react very unfavorably to Japan and her associates in making it seem that the aims of a small, rather ambitious, and reckless group were receiving special encouragement at a time when we were striving to show the utmost impartiality. It would also be urged that as the loan was to be repaid by the Chinese Government, that Government and the people of North China, themselves, could hardly be pleased with the furnishing of funds which would give great power and influence to certain militant individuals.

The Japanese Minister stated that precautions had been taken to prevent the use of arms or funds obtained in Japan for purposes of internal war. He said that all payments made by the War Participation Bureau out of Japanese funds had to be countersigned by the Japanese Controlling Officer. I recalled to his mind the well-known opposition of General Tuan Chi-jiu and his lieutenants to the Peace policy of the President and the fact that their inclination undoubtedly was at an early moment to declare that the Peace policy of the President had failed and that war-like measures must be resumed for which they are now preparing the forces.

The Japanese Minister restated his view that his Government had no alternative but to permit the execution of existing contracts. I recalled to his memory the action of the American institution, Lee, Higginson & Company, which, when it was merely hinted to them that the execution of their five million dollar loan contract would be interpreted as taking sides between contending factions in China, decided immediately not to carry out further the contract. Subsequently the immediate requirements of the situation in China were discussed and we agreed that the long and unwarranted delay on the part of the South to send delegates to the Peace Conference would make desirable another representation by the Associated Powers. We also agreed that if the Government of Hsu Shih Ch'ang had done all in its power to advance peace by discontinuing military operations and by sending a Peace delegation to Nanking, the diplomatic corps would be warranted to [*in*] not objecting to the use by the

Government, for administrative purposes, of the Customs revenue surplus now accumulated.

I have the honor to enclose herewith a copy of the telegraphic instructions of the Japanese Minister from his Government.<sup>8</sup> He stated to me that his explanations are to be considered as orally made and that he was allowing me to have a copy of his instructions simply for reference and not as an official document. I beg to request that it be so considered by the Department.

I have [etc.]

PAUL S. REINSCH

893.00/2929 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, January 11, 1919, 1 p.m.

[Received January 12, 1.42 a.m.]

Referring to my cable of October 30, 7 p.m.,<sup>9</sup> December 27, 6 p.m.,<sup>10</sup> and your January 4, 11[27] p.m.<sup>11</sup> The Chinese Government is in a critical position. The President desires to demobilize and disband military forces which had been accumulated for action in the South. The Government is, however, without the means necessary to defray back pay and demobilization expenses. An attempt to disband troop units without such payment would lead to rebellion, which the Government is not at present strong enough to face. Thus, the Government is [forced] by circumstances to continue a situation involving wasteful expense and the piling up of obligations.

The most reactionary and corrupt among the military governors are on the point of again effecting a combination to control the Government in their selfish interest. Their unconscionable methods have supplied them with money, giving them strength. The delay of the Southern Parliament in sending peace delegation plays into their hands. Unless financial support to the Chinese Government can become effective almost immediately, we must face the alternative of anarchy or renewed dominance of the most vicious elements among the military. Unfortunately, General Tuan is also opposed to the President's peace policy and while both stand up for a higher level than the military bandits ruling in Anhui, Hunan, etc., they form his retinue and share with him the power conferred by Japanese loans to the War Participation Bureau.

The Chinese Government needs immediately \$5,000,000 to effect demobilization and disbandment of one half the existing troops north and south. The Government is ready to effect this measure under the control of foreign military representatives to assure actual dis-

<sup>8</sup> Not printed.

<sup>9</sup> *Foreign Relations*, 1918, p. 116.

<sup>10</sup> *Post*, p. 420.

<sup>11</sup> *Post*, p. 421.

bandment. Immediately, or within two months after disbandment, the Chinese Government needs a credit of \$100,000,000 for the public works, roads, railways, canals and colonization. These are greatly needed in themselves but will also provide employment for disbanded troops, giving them livelihood and preventing growth of brigandage.

I have the honor to urge that [you] lay before the British and French Governments this critical situation which seriously threatens the peace of the world and prevail upon them to complete the consortium arrangements in order to make it possible for the United States in conjunction with Japan to advance the amounts needed by the Chinese Government to escape disaster and [put] Chinese affairs upon a sound basis. Even should the Internal Peace Conference not as yet have arrived at the settlement of all difficulties, it is essential that the abnormal expense and attendant evils consequent upon militarism should be lifted off the Chinese people without delay before conditions become again hopelessly involved and debauched. The execution of such a program will be welcomed by the Chinese people as God-sent relief.

It is also most important that Mr. Abbott<sup>12</sup> should come without delay.

REINSCH

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893.00/2931 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, January 11, 1919, 3 p.m.

[Received 10 p.m.]

My telegram January 4th noon. Associated Ministers are agreed that the circumstances call for a representation to the effect that in view of the steps already taken by the North and South there is no further excuse for the delay on the part of the Southern authorities to send a peace delegation and that the immediate convocation of the Peace Conference is demanded by the interests of China and the friendly powers.

My colleagues are of the opinion, in which I share, that the Chinese Government having taken every possible measure to promote peace fairly is entitled to use the surplus customs revenue in order to carry on the administration and demobilization troops, therefore we propose to make no objection to such use of the revenue. Situation has changed since my telegram November 6th, 5 p.m.<sup>13</sup>

REINSCH

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<sup>12</sup> John Jay Abbott, Vice President, Continental & Commercial Trust & Savings Bank of Chicago, to represent American banking group in China.

<sup>13</sup> Not printed.

893.00/2933 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*PEKING, *January 17, 1919, 1 p.m.*

[Received 5 p.m.]

Referring to my cable of January 11th, 3 p.m. The Diplomatic Corps will not make any objection to the release of customs surplus on January 25th, to be applied to diplomatic expenses, conservancy and silk industry support, repayment of loan of 1915 and withdrawal of troops on their payment of arrears; unless before that date Internal Peace Conference shall agree to recommend a different disposal. As the South is reported to have appointed its delegation no further suggestions were made.

REINSCH

893.00/2931 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*WASHINGTON, *January 20, 1919, 7 p.m.*

Your January 11, 3 p.m. and January 17, 1 p.m. Your action is approved.

POLK

893.00/2946a : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*WASHINGTON, *February 1, 1919, 4 p.m.*

Reports from Paris indicate that the cöoperation between the representatives of North and South China in the discussions now taking place at the Peace Conference is most cordial and effective. The practical results of such cöoperation might well stimulate the efforts to secure similar effective cöoperation in China itself.

PHILLIPS

893.00/2987

*The Consul at Canton (Pontius) to the Minister in China (Reinsch)<sup>14</sup>*

[Extracts]

No. 63

CANTON, *February 10, 1919.*

SIR: For the information of the Legation, I have the honor to transmit herewith various interesting political and other items obtained from newspapers and other sources.

<sup>14</sup> Copy forwarded to the Department by the Consul under covering letter of same date; received Mar. 20.

## SHENSI AND FUKIEN QUESTION

General Li Shun, Tuchun of Kiangsi [*Kiangsu*], who is acting as the peace mediator between the North and South, has telegraphed to the Canton Military Government suggesting that the following measures be adopted for the settlement of Shensi and Fukien disputes, which have long been a great obstacle to the Peace Conference:

1. That hostilities shall be actually stopped by both armies in Fukien, Shensi and West Hupeh.

2. That the expeditionary forces to Hupeh and Shensi shall stop further advance and be responsible for the suppression of bandits in the territories behind them, without increase in the strength of their respective armies.

3. That measures for the armistice in West Hupeh and South Shensi shall be mutually and directly fixed by the commanders of both armies themselves and same be submitted for registration after completion.

4. That popular officers shall be despatched to the interior of Shensi by the chief delegates of both sides to supervise the division of territories on the front line.

5. That after the territories have been defined each army shall be responsible for the suppression of bandits and the protection of inhabitants within its own lines. They shall on no account during the armistice attack each other's lines.

The above five measures have been submitted and approved by the Peking Government after their transmission to Canton.<sup>15</sup>

On the receipt of the above telegram, the Administrative Council held a special meeting to discuss the matter and it was passed unanimously. A reply has now been sent to General Li Shun accepting all five suggestions.

## CHINA'S PEACE CONFERENCE

China's Peace Conference has now definitely been fixed to open its sessions at Shanghai on the 10th instant. Mr. Tang Shao-yi, the chief peace delegate for the South, has telegraphed to Canton urging the various other delegates to start for the North without further delay and requesting them to reach Shanghai before the opening of the conference. It is understood that the last of the delegates has left for Shanghai. A sum of \$10,000 has been voted out of the salt surplus revenue to defray the travelling expenses of the peace delegation, and the Salt Commissioner has paid over the money to the Military Government.

I have [etc.]

ALBERT W. PONTIUS

<sup>15</sup> See also communication of Mar. 7 from the Consul General at Shanghai to the Minister in China, p. 314.

893.00/3005

*The Consul General at Shanghai (Sammons) to the Minister in China (Reinsch)*<sup>16</sup>

[Extract]

No. 2636

SHANGHAI, *February 14, 1919.*

SIR: I have the honor to enclose herewith a self-explanatory bulletin, as issued by the so-called Constitutional Government of China, containing a further statement by Mr. Tong Shao-yi, as telegraphed to the President of China, . . .

I have [etc.]

THOMAS SAMMONS

[Enclosure]

*Bulletin No. 4 of the Intelligence Bureau of the Constitutional Government of China*SHANGHAI, *February 13, 1919.*

Mr. Tong Shao-Yi, Chief Delegate of the Constitutional Government of China to the Domestic Peace Conference, has addressed the following telegram to Mr. Hsu Shih-chang, Peking:

In view of the progress being made in the Peace negotiations that are attracting attention at home and abroad, a satisfactory result will be rendered impossible unless the two most imminently embarrassing obstacles now confronting us be at once removed.

The resumption of military operations in Shensi has been the subject of a series of telegrams to you, which should have been followed by peremptory orders from you to the Northern forces to cease fighting forthwith. This latter object however cannot be attained by the mere reiteration of empty phrases clamoring for peace. I, therefore, respectfully request that the *modus operandi* suggested in General Li's telegram of the 6th instant be immediately carried out.<sup>17</sup> But if hostilities be permitted to continue, those responsible for the inconsistency and breach of faith shall have to bear the blame.

Preparations for war with commitments for military loans and the despatch of fresh supplies of arms are persisted in while the North asserts a sincere desire for peace. This state of things is as surprising as it is deplorable. Requests have been repeatedly made for the issuance of a general order from you prohibiting the importation of munitions of war from Japan and directing the return thereto of such as have already reached China, in order to strike at the root of the evil.

These two matters are of the gravest import and your immediate action dealing with them is respectfully urged.

<sup>16</sup> Copy forwarded to the Department by the Consul General under covering letter of same date; received Apr. 1.

<sup>17</sup> See *supra*.



893.51/2117½ : Telegram

*The Acting Secretary of State to the Chargé in Japan (MacMurray)*

WASHINGTON, February 18, 1919, 5 p.m.

From reliable sources it has been learned that the activities of the Japanese in connection with the loan made to China through the War Participation Bureau and Tuan Chi Jui, under which approximately twenty million dollars was contracted for and three million paid on account, may possibly lead to the establishment of additional armed forces of three divisions and three brigades. This Government views such an addition to the military forces of China with considerable alarm and apprehension, for it can only be used in the interest of the military authorities of the North to overcome the objections of the South, and to nullify the beneficent results which are being hoped for from the reconciliation conference now in session.

You are instructed to take some opportunity to enter into friendly conversation with the Minister of Foreign Affairs and to express the hope of this Government that these rumors are unfounded, and to say that we hope the Government of Japan will use its influence to prevent any activity on the part of her agents or subjects from instigating and aiding a loan to China, or to any division of the Chinese Government, or to any parties in China which would be of possible use for the establishment and maintenance of such a military force, particularly at this unpropitious time. You may also say that the Government of the United States feels that such an act on the part of China might result in the division of Government in China, which would be contrary to the desires of all the Powers which have at heart the friendly interests of China, among which we confidently count Japan.

You will please transmit the substance of the above to Mr. Morris<sup>18</sup> for his confidential information, and if there is any admission on the part of the Japanese authorities of the truth of the facts herein suggested you may cable them to Peking for their information as originating from you and advise Department.

POLK

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<sup>18</sup> Roland S. Morris, Ambassador in Japan.

893.00/3020

*The Consul General at Shanghai (Sammons) to the Minister in China (Reinsch)*<sup>19</sup>

No. 2687

SHANGHAI, February 21, 1919.

SIR: I have the honor to record that the Internal Peace Conference of China opened here, on yesterday, in the former German Club, the delegations being as follows—

*For the North:* Chu Chi-chien, Wu Ting-chang, Wang Ko-ming, Sze Yu, Fan Chu, Wang Yu-ling, Liu Un-kou, Li Kuo-tseng, Kiang Shao-chi, and Hsu Fu-su.

*For the South:* Tong Shao-yi, Tsang Chi-chao, Hu Han-ming, Mao Chia-so, Tseng Yen, Kuo Tsung-sung, Liu Kuang-lieh, Wang Pah-chung, Peng Yung-yi, Yao Ming-luan, and Li Shi-yin.

The initial session opened at 9:00 o'clock in the morning, and it is proposed to adhere to early morning activities during future sessions.

Further, as a matter of record, there is enclosed herewith the speeches made by the chief delegates for the North and for the South, and other data relative to the conference, the same having appeared in today's issue of the *Shanghai Times*<sup>20</sup> (accepted as being pro-Japanese in its policies). This newspaper's account of the opening session is more connected and more convenient for filing, as a matter of record, than the accounts appearing in the other newspapers.

I have [etc.]

THOMAS SAMMONS

893.00/3021

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2548

PEKING, February 24, 1919.

[Received April 1.]

SIR: I have the honor to report that a great deal of discussion has been aroused by the loan of Yen 20,000,000 contracted last year with the Japanese for the War Participation Bureau which has now been re-named National Defense Bureau. A great deal of dissatisfaction resulted when it became known that Japan was continuing to supply the National Defense Bureau with arms and ammunitions and that under the Yen 20,000,000 loan, a monthly payment of Yen 3,000,000 was to be made. The Bureau is in charge of General

<sup>19</sup> Copy forwarded to the Department by the Consul General under covering letter of same date; received Apr. 1.

<sup>20</sup> Enclosure not printed.

Tuan Shi-jui and his lieutenants, General Chin Yun-peng at present Minister of War and General Hsu Shu-chen, who is General Tuan's chief lieutenant. As the opposition of General Tuan to the idea of peace by negotiation is well-known and as it is believed by the leaders of Central and South China that he is simply preparing a force for the purpose of again taking up hostilities, the public was considerably aroused by what seemed action designed to obstruct the Peace Conference and to defeat its aims. These apprehensions are expressed in a letter from Tang Shao-yi to the British Minister, as Dean of the Diplomatic Corps, copies of which are herewith enclosed.<sup>21</sup>

The attitude of the Japanese Government on the matter of continued support to the Northern Military party was reported on in my despatch No. 2446, of January 10th,<sup>22</sup> forwarding a memorandum of a conversation with the Japanese Minister. At a meeting of the Allied Ministers on February 12th, the matter of the National Defense Bureau came up for discussion. The British and French Ministers and myself took the view that the continued recruitment of troops constituted a disturbing element in the situation and acted as an obstacle to the realization of peace and that, therefore, the supplying of money for this purpose was not desirable. The Japanese Minister stated that he should not be able to say anything to the Chinese Government without previous instructions; and that he was also waiting for an answer to his inquiry whether the Chinese Government desired to have the payments under this loan continued. It is, of course, known to all that the present Cabinet is dominated by the military clique and would, therefore, not be in a position to take independent ground on this matter.

As will be seen from the enclosed despatches and newspaper articles<sup>21</sup> a great deal of agitation was going on meanwhile. On February 21st, the Japanese Minister called on me and stated that under instructions from his Government, he desired to inform me that it had been decided no longer to furnish ammunition and equipment to the National Defense Bureau but that the Japanese Government felt that it could not stop the payment of the Yen 20,000,000 loan. Mr. Obata stated that this money had been paid into Japanese banks for the use of the Chinese Government; that the Chinese Government could insist upon payment and that the banks could not refuse, short of bankruptcy. When I asked him whether the money was so entirely the property of the Chinese Government that it could immediately draw out the entire amount, Mr. Obata stated that he believed that there was an arrangement that they

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<sup>21</sup> Not printed.

<sup>22</sup> *Ante*, p. 291.

should draw only Yen 3,000,000 a month. The property of the Chinese Government in these funds must therefore be qualified only.

Today the report is received that the Japanese Government has decided to stop the payment of this loan. It is known that Tang Shao-yi made a direct appeal to the Japanese Cabinet on this matter.

In addition to the enclosures in the despatches herewith forwarded, I also beg to refer to enclosures forwarded by the Shanghai Consulate General on February 5th,<sup>23</sup> File 710.

I have [etc.]

PAUL S. REINSCH

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893.00/2963 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, February 26, 1919, 4 p.m.

[Received February 28, 5 a.m.]

French Minister has received instructions to inform General Tuan of appreciation of his services in connection with the war and to point out that in view of the favorable progress towards settlement of national difficulties preparations for the use of force or the resumption of civil war are not desirable and would produce a deplorable effect among the friendly nations. Unless otherwise instructed I shall present similar views informally to General Tuan.

REINSCH

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893.00/2967 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, February 27, 1919, 1 p.m.

[Received February 28, 9.10 a.m.]

My telegram February 26, 4 p.m. Please add French Minister instructed to secure cooperation British and American Minister[s].

REINSCH

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893.51/2133 : Telegram

*The Chargé in Japan (MacMurray) to the Acting Secretary of State*

TOKYO, February 28, 1919, midnight.

[Received March 2, 2.44 a.m.]

The Minister for Foreign Affairs being still sick I took occasion yesterday evening to see Vice-Minister Shidehara in regard to your telegram of February 18, 5 p.m. He informed me that the War

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<sup>23</sup> Not printed.

Participation loan of \$20,000,000 was made last summer and Japan[ese] proceeds at once placed to the credit of the Chinese Government with the banking syndicate comprising the Industrial Bank of Japan and the Chosen and Taiwan Banks and is therefore beyond the control of the Japanese Government: and that from time to time the Chinese have, under the terms of the loan contract, drawn sums totaling as he believes about four million dollars. He furthermore stated that when about to despatch troops to Siberia the Chinese Government asked Japan for the necessary funds and that anticipating that its requirements might eventually exceed the resources of Japanese finance, the Government had its Legation at Peking approach the other Allied Legations there with a view to arranging inter-Allied participation [in] the loan but without result; and subsequently it had therefore made the loan itself although it had subsequently refused to make further loan. I remarked that although I had been in charge at Peking at the time I had no recollection of any suggestion from the Japanese Legation. He also said that this Government had previously received from Tong Shao-yi a strong protest against the payment of the balance in behalf of the southern delegates but [on] explanations being made through the Japanese Consul General at Shanghai, Tong had telegraphed that his objections were found to be satisfied.

As to the purchase of arms from the Taihei Kumiai out of the proceeds of this loan he confirmed press reports that, in order to avoid the appearance of contributing to factional strife in China, the Japanese Government had recently interviewed and induced that Japanese company to postpone further deliveries, his understanding being that only the December and January deliveries under the contract had been made.

Upon my expressing the hope that no assistance would be given to the Northern military clique, which might jeopardize the result of the Shanghai Conference, he said that his Government regarded any question of disbanding or organizing further military forces as a matter of China's domestic concern in which Japan should not intervene. I said that my Government shared this opinion and in view of the association of Japanese officers with the Chinese War Participation Bureau it felt it would be appropriate if the Japanese were to take steps to insure that its nationals gave no encouragement to the plans of the Northern clique to increase their forces. He assured me that the employment of any Japanese military advisers would be means of obviating rather than encouraging factional activities on the part of the Peking authorities.

Although the Vice-Minister expressed himself as sympathetic with the desire for reconciliation in China, the impression left upon me

from this conversation is that he feels the Cabinet has gone as far as is politically possible in restraining the Japanese military party from its support of the Tuan faction in China.

MACMURRAY

893.00/3047

*The Consul General at Shanghai (Sammons) to the Minister in China (Reinsch)*<sup>25</sup>

No. 2760

SHANGHAI, March 3, 1919.

SIR: I have the honor to report that on Saturday afternoon, Mr. Tong Shao-yi sent me a copy of his telegram to the Diplomatic Body at Peking, giving further views with reference to the Shensi military situation, in connection with the Internal Peace Conference. This telegram has now been embodied in Bulletin No. 21 of the "Intelligence Bureau of the Constitutional Government of China", as issued yesterday afternoon, a copy of which is enclosed.

This bulletin also contains a lengthy telegram from the Premier at Peking to Mr. Tong Shao-yi, indicating the attitude of the Chinese Government with relation to the War Participation Bureau, and confirming a report made by me some time ago that it was the intention of the Peking authorities to continue the military program, with Japanese financial assistance, until peace was actually signed in Europe.

Naturally, all concerned here are anxious to know why it is necessary to continue this military program until peace is signed, etc., etc., and whether this determination to continue said program was reached at the time of the original secret agreement or more recently; that is to say, during the past month. As it is Mr. Tong's desire to secure additional publicity regarding Japan's military program in China, it is understood that he will send a further telegram to Peking, with a view to bringing out further admissions, and, at least, affording himself the opportunity to place before the world what would appear to be the facts with regard to Japan's readiness to furnish gold, ammunition and rifles—as well as the willingness of the Chinese military autocrats of the North to receive the same. It is believed by the representatives of the South in China, at least, that if it can be shown to the world that Tokyo, through the Japanese military leaders, and not Peking, is controlling the destinies of China, there may be a reaction that will enable those, who stand ready to make a suitable declaration of intentions, to obtain that measure of sympathetic support that will bring about settled condi-

<sup>25</sup> Copy forwarded to the Department by the Consul General under covering letter of same date; received Apr. 7.

tions and the establishment of a potent civil government which all wellwishers for China's future desire.

The telegraphic advices received by Mr. Chu Chi-chien, the chief delegate for the North, seem to hearten him, he having been advised by Peking to continue his efforts on behalf of a peaceful settlement, etc., etc.

I have [etc.]

THOMAS SAMMONS

[Enclosure]

*Bulletin No. 21 of the Intelligence Bureau of the Constitutional Government of China*

SHANGHAI, March 2, 1919.

Direct representation to the Peking Government to secure the effective enforcement of the armistice having so far produced no tangible result, the Southern Delegation deemed it advisable to appeal to the Diplomatic Corps in Peking to use its friendly offices towards the removal of the deadlock in the Conference so as to secure early peace to the country.

The following is a translation of the telegraphic appeal dispatched yesterday.

His Excellency Sir John Jordan, Peking.

Although an armistice had long been mutually agreed upon between the North and the South and a special mandate was issued by the Peking Government on the 13th February ordering cessation of hostilities on the part of the Northern forces,<sup>26</sup> the Tschun of Shensi, General Chen Shu-fan, has been continually carrying on offensive warfare against the Constitutionalists' forces in Shensi, in flagrant violation of a solemn obligation and subversion of military discipline, causing suffering and distress to the people and ruin along the path of his advance. All this is allowed to continue in face of the Peking Government's peace avowals and the actual convening of the peace conference at Shanghai and the repeated appeals of the Southern Delegation to the Peking Government for effective enforcement of armistice in Shensi. In view of this state of things, the Southern Delegation is in duty bound to protest and to resolve not to proceed further with the peace negotiations, until the cause of the trouble is removed and the armistice given full effect, as demanded not only by the Southern Delegation formally on behalf of the Southwest but by the people of Shensi and the unanimous public opinion of the whole nation as well. Since the Peking Government has not shown any disposition to comply with the unanimous demand of the South or even to faithfully meet its solemn obligation as regards the cessation of hostilities, it is obvious that all effort towards continuing peace negotiations under such conditions would be futile and incompatible with reason. Your Excellency is therefore again appealed

<sup>26</sup> See also p. 314.

to by me on the behalf of the Southwest in the earnest hope that Your Excellency and Their Excellencies, the Ministers of the five friendly Powers, in manifestation of your warm interest in the welfare of the people of our whole nation, will make suitable representation to the Peking Government, to the end that the armistice may be faithfully observed by the North and the Tuchun responsible for its flagrant violation to the dire distress of the Shensi people and to the detriment of the internal peace be forthwith dismissed from office, so that the deadlock in the peace conference may be removed, negotiations resumed and peace restored to the country at an early date. I may also add that on account of the irresponsible attitude of the Peking Government, the Northern Delegates as a body have tendered their resignation.

Tong Shao-yi

Translation of a telegram of the 28th February from Mr. Chien Neng-hsun (Premier of the Peking Government) to Mr. Tong Shao-yi, the Southern Chief Delegate.

Mr. Tong Shao-yi, Shanghai.

Referring to your telegram (addressed to Mr. Hsu Shih-Chang) the question of the War Participation Bureau has been the subject of much criticism in your several telegrams, but our previous telegram in reply thereto dealt with accomplished facts and yet you would characterise my explanations as forced expressions of extenuation. Your telegram of the 27th (Feb. to Mr. Hsu Shih-Chang) is couched in terms even stronger. To carry on a futile debate with arguments going back and forth would needlessly consume valuable time on both sides. And after all what advantage would it bring? I would therefore suggest that you, in a spirit of equanimity, listen to a last word from me on this subject.

The War Participation Bureau was the outcome of (our participation in) the European war. At the time the allied Powers, Great Britain, the United States, *et alii*, were all willing to loan us arms and funds and ships for transportation. The result of these offers of assistance was the conclusion of the said Japanese loan agreement. This step therefore was in consonance with the united wish of the allied Powers and cannot be regarded as introducing particular foreign influence by us to the detriment of the balance of power between nations.

As the formation of the War Participation Army has been completed, and as the said agreement clearly specified that the termination of the European war is to be the day when the European peace is signed and the forces on both sides are withdrawn, it is to be seen that until that day comes the War Participation Bureau cannot be dissolved and hence the War Participation Loan Agreement must continue to be in effect. The foregoing is therefore valid reason for the continued existence of the War Participation Bureau. When the War is finally brought to a close on the signing of the peace treaty, the War Participation Army will naturally lose its distinctive designation and pass into the control of the Ministry of War.



The question of its disbandment or otherwise will, however, be dealt with by the said Ministry in connection with the general scheme of military reduction and retrenchment. The above is the present policy as regards the future disposition of the War Participation Bureau.

As to the remark in your telegram that the people of the nation entertain the most [serious?] misgiving regarding this matter and that the (Peking) Government held something in concealment from the public, may I ask, Misgivings on what account? And, What is held in concealment from the public? Will the consequences be sufficiently great to really compass the downfall of the nation, if the War Participation Bureau is not at once dissolved and the said loan agreement forthwith terminated? Or do you intimate that the Government by some secret act yielded special rights in connection with the War Participation Loan for which we should find difficulty to face the nation?

As to both questions, after examining the real facts, I venture to reply in the negative. I would like to be enlightened, therefore, as to the reasons which lead you so persistently to insinuate doubts regarding the subject.

As to your statements of "Complicity with the evil-doing faction," "Bringing calamity upon the nation," and ["willingly sell the country" etc., I wish to ask—Who compose the evil-doing factions? What nation has suffered calamity? In what respect is the country being sold? It will not do to fill the ears of the nation with empty phraseology.

As to the statement that the War Participation Bureau is an obstacle to the restoration of peace, may I ask if this were so, are we to conclude that the declaration of independence by the Southwest, and the convening of the peace conference between the North and the South were both directed against the War Participation Loan, and that upon the disbandment of the War Participation Army and the termination of the said loan agreement, the unification of the nation would be at once accomplished, thus disposing of all questions at issue? Is this so or not?

Granting that this was not so, and that the (Peking) Government really desired to break up the peace movement, what impelled the Government to resort to such exhaustive measures to bring about the convening of the conference? If the North relied upon military force in its dealing with the Southwest, would it be logical to conclude that with the War Participation Army disbanded, the North would allow itself to await with folded arms its complete subjugation?

The recent initiative taken by the (Peking) Government towards the restoration of peace was prompted by its desire, after mature consideration of the whole situation, to endeavour to rescue the nation from ruin. If no effort is made to examine into the facts or enquire into the circumstances which actually transpired, but simply engage in idle crimination and recrimination, while allowing the important negotiation to stagnate and the light of peace no opportunity to glow, then someone will have to bear the blame. I trust the above expressions of my heart will receive your due consideration.

Translation of a telegram from Mr. Tong Shao-yi to the Peking Government dated March 1st, 1919.

Mr. Hsu Shih-Chang, Peking.

I have repeatedly telegraphed you requesting for the discontinuation of the War Participation Loan and the cancellation of the Military Agreements. I have hoped that you would take the initiative yourself in order to save the nation from calamity and ruin. And my suggestions are for your own good as well as for the good of the country. I was, therefore, quite surprised to receive a telegram from Chien Neng-Hsun on 28th inst. [*ult.*] containing so much sentimental talks without any regard for facts. I wonder whether you have read it. My previous telegraphic requests and the arguments of Mr. Chien Neng-Hsun's telegram can be easily put before the public who is to be the judge of right or wrong. This is not a time for us to indulge in lengthy argumentation. I am afraid, however, that the man at the helm cannot simply try to gloss over remissness of the responsible parties nor will the people of the nation allow themselves to be gagged and look on silently at the commission of these treasonable acts. Those responsible will have to bear the blame, there being no escape. I suggest this for your serious consideration.

Tong Shao-yi

893.00/3030

*The Consul General at Shanghai (Sammons) to the Minister in China (Reinsch)* <sup>27</sup>

No. 2771

SHANGHAI, March 4, 1919.

SIR: I have the honor to enclose a copy of Bulletin No. 22, as issued by the "Intelligence Bureau of the Constitutional Government of China", on the third instant, which embodies the Manifesto issued, on the second instant, by the Southern peace delegation, to the Chinese press, Provincial legislatures, commercial, educational and other bodies, in explanation of the present situation as regards the peace conference in China.

I have [etc.]

THOMAS SAMMONS

[Enclosure]

*Bulletin No. 22 of the Intelligence Bureau of the Constitutional Government of China*

SHANGHAI, March 3, 1919.

A Manifesto was issued yesterday (March 2nd) by the Southern Peace Delegation to the Chinese press locally and throughout the country, to all the Provincial legislative bodies, as well as the com-

<sup>27</sup> Copy forwarded to the Department by the Consul General under covering letter of same date; received Apr. 7.

mercial, educational and other organizations, in explanation of the present situation as regards the Peace Conference and in justification of the stand taken by them in this connection.

A translation of the manifesto is given as follows:—

After more than a year of internal strife with which the Republic of China has been inflicted in the midst of the great world conflict then raging, the Military Government pursuant to the trend of public opinion and the disinterested advice of friendly Powers, in a spirit of sincerity, took joint action with the Peking Government in convening a peace conference and delegated to it special representatives with plenary powers in the hope that all fundamental questions at issue might be thoroughly threshed out and settled, so as to attain our object of permanent peace—which action and resolve are, we believe well known to all, at home and abroad.

Unfortunately, complications have sprung up from the two major questions which were the first to receive the attention of the six sessions of the Conference since the 20th of February last, namely the cessation of hostilities in Shensi and the suspension of formation of the War Participation Army. The result is that the [other] fundamental questions are given no opportunity of discussion.

As peace is the objective of the Conference, and as peace and war are logically impossible of simultaneous pursuit, the Peking Government is either manifestly guilty of insincerity, when it attempts to carry on warfare while on the other hand it talks peace; or else its authority carries no weight. If the latter is true a patched-up peace will prove an unhappy one.

It may be observed that on the 16th November last the Peking Government issued a mandate promulgating the armistice, which included Shensi and Fukien in its operation. But under the pretext of fighting to subdue bandits, the invasion of Shensi was made, so that for the past three months or more the inhabitants of Shensi have been inflicted with indescribable miseries resulting therefrom. This state of things dragged on until February 13th, when a mandate was issued ordering cessation of fighting in Shensi, Fukien and Western Hunan, in accordance with the five articles of the *modus operandi* proposed by General Li Shun, Tuchun of Kiangsu.<sup>28</sup> Then it was that the Northern Peace Delegation declared formally at the Conference that the Northern Government would accept full responsibility for the enforcement of the armistice in Shensi from the 13th (February) henceforward. But express mail advices received from the front in Shensi dated between the 14th and 21st (Feb.), all confirm the reports of a general invasion by Northern troops, the loss of positions in the Eastern and Western fronts and even the instability of San Yuen, the headquarters of the Southern forces.

Although this Delegation requested to be placed in direct telegraphic communication with San Yuen as a preliminary step to—

<sup>28</sup> See communication of Feb. 10 from the Consul at Canton to the Minister in China, p. 295.

wards the cessation of hostilities, we have up to now received not a single telegram from our friends there.

In this anomalous state of war and peace parley going on simultaneously, how could the undersigned, who have been charged with the duty of negotiating peace, have the face to meet the people of Shensi or the world without self reproach? Consequently, on the 28th February at 9 o'clock in the morning we demanded an answer, within 48 hours (from the Peking Government), to our proposal for the effective enforcement of the armistice and the removal of General Chen Shu-Fan from his office of Tuchun of Shensi, and that if no satisfactory reply or none at all was received within that time limit; it would be conclusive evidence of the want of sincerity on the part of the Peking Government, and in that event the suspension of negotiation would become an unavoidable matter.

The period having expired without receipt of any reply, from tomorrow (the day automatically set for the next session) forward, it will be impossible to proceed with the conference, the Northern Delegation furthermore having already resigned in a body.

We, Tong Shao Yi and the others of the undersigned, being deficient in talent and learning, deeply blame our own selves for the unexpected set-back administered to the universally longed for peace.

Moreover, in view of the Military Government's earnest desire for peace and its conciliatory spirit and the sincere wish of the undersigned to push forward this peace movement in spite of difficulties, we would have positively refused to see this set-back come to pass, had it not been a case of utter impossibility to proceed under present circumstances.

That the War Participation Army should be dispensed with, the reason is manifestly obvious. For to make peace is to desist from war. At the present juncture of the close of the European war, when it is the purpose of the present Conference to make a start with the scheme of military reduction on a large scale, the North takes occasion to materialize its scheme of increasing its military strength under the pretext of national defence. What other motive could it have in taking such an extraordinary step?

Upon our request to be put in possession of copies of the Sino-Japanese naval and military pacts and their annexes and complete version of the War Participation Loan Agreement, only copies of the military and naval pacts without annexes have been put before the Conference which so far has had no opportunity to take them up in discussion.

In a word, peace can only be attained by (1) getting at the root of all trouble and (2) removing all obstacles. The success of the two steps are dependent upon each other. If the obstacles are not removed, there is no way to get at the root. The first step has hardly been taken so far, but a great upheaval is already in order. Under such circumstances we can do nothing but bear the blame and reproach of the public. But so long as the existence of the nation hangs in the balance and so long as the people are passing through the ordeal of fire and water, we must appeal to our friends for advice and guidance so that we may know what to do and how to proceed.

Tong Shao Yi, Chang Shih-Chao, Hu Han-Ming, Miao Chia-Shou, Tseng Yen, Kuo Chun-Shen, Liu Kwang-Lieh, Wang Po-Chun, Peng Yun-Yi, Yao Ming-Luen, and Li Shih-Ying.

Recommendation by the Japanese, American, British, French, and Italian Representatives to the Chinese Government against Drawing on the War Participation Loan, March 7—Reply of the Chinese Government, March 15

893.00/3049

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2572

PEKING, March 7, 1919.

[Received April 7.]

SIR: In connection with my telegram of even date<sup>28</sup> I have the honor to enclose the following papers:

Telegram from the southern delegation at the Shanghai Peace Conference to the Dean of the Diplomatic Body, dated March 3rd;<sup>29</sup>

Memorandum from the Japanese Minister concerning disbandment of the War Participation Army;

Communication made by the Japanese Minister through a Secretary to the Acting Minister for Foreign Affairs;<sup>30</sup>

An *Aide-Memoire* presented March 7th;

The substance of the Armament Loan Agreement and the War Participation Loan Agreement as given out in the Japanese Press; and

Further inter-change of telegrams between Mr. Tong Shao-yi, the British Minister, and the Premier as given out by the Intelligence Bureau of the Constitutional Government of China and reprinted in the *North China Star* of March 6th.<sup>31</sup>

It will be noted, it is claimed that the Japanese Arms syndicate was given preferential rights to supply arms to China in the future. Such preferential arrangement could, of course, not be upheld in the face of general treaty provisions.

An article from *The Peking Leader* of March 6th, concerning the War Participation Loan, which is a moderate expression of current Chinese opinion, is also herewith enclosed.<sup>32</sup>

The attitude of the Shanghai Peace Conference to these matters will be reported on in a separate despatch.

I have [etc.]

PAUL S. REINSCH

<sup>28</sup> *Post*, p. 316.

<sup>29</sup> Not printed; for the most part identical with the manifesto printed on p. 308, but concluding: "Knowing that Your Excellencies have China's interest at heart, we are taking this opportunity to make another appeal for your friendly advice and guidance at this critical moment."

<sup>30</sup> Not printed; in substance the same as *communiqué* published by Japanese Foreign Office on Mar. 6; see p. 317.

<sup>31</sup> See pp. 304-307.

<sup>32</sup> Not printed.

[Enclosure 1]

*The Japanese Minister in China (Obata) to the British Minister in China (Jordan)*

## MEMORANDUM

PEKING, *March 3, 1919.*

The Japanese Government have given their serious consideration to the proposal of the British Government for a joint action to be taken at Peking by the Representatives of the Allied and Associated Powers with a view to strengthening hands of President Hsu Shih-chang against General Tuan in the matter of the disbandment of the War Participation Army. They fully realize that the question of the new army forms one of the difficulties with which the Conference of the Northern and Southern Delegates now in session at Shanghai is being confronted. They are not informed whether the British Government following the same line of the policy now proposed have in contemplation similar action by the foreign Representatives in Peking with regard to the other points of differences standing equally in the way of an early reunion of China. In any case the action suggested by the British Government does not seem to be wholly reconcilable with the declaration of the Japanese, British, French, Italian and the United States Governments embodied in the *Aide-Memoire* of December 2nd, 1918,<sup>33</sup> in which the five Governments specifically disclaim any "desire to control or influence the particular terms of adjustment which must remain for the Chinese themselves to arrange". Such action, with all its good intentions, will no doubt be regarded as an attempt to influence one of the terms now awaiting adjustment at the Shanghai Conference, and the Japanese Government are strongly of opinion that it would be unwise for the foreign Powers to interfere in the settlement of any of those terms in favour of one contending faction against the other. It would be added that the Japanese Government have not the slightest intention to raise any difficulty to China's abandoning of plan for organization of a new army. On the contrary, they are quite ready to do all that lies in their power to facilitate work of the Shanghai Conference consistent with the declaration of the five Powers of December 2nd. They do not, however, consider [themselves] justified in taking part in the action which seems to them to imply departure from policy adopted in common accord and declared in an official communication by the Allied and Associated Governments. In thus communicating to His Excellency the British Minister the views which the Japanese Government feel it due to frank-

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<sup>33</sup> *Foreign Relations*, 1918, p. 134.

ness to state, the Japanese Minister sincerely trusts that these views will commend themselves to the favourable reply of the British Government.

[Enclosure 2]

*The Representatives of France, Great Britain, Italy, and the United States to the Chinese Acting Minister for Foreign Affairs*

#### AIDE-MÉMOIRE

The Representatives of France, Great Britain, Italy and the United States desire to associate themselves with and give their full support to the communication already made to the Chinese Government by their Japanese Colleague in which the hope is expressed that, in view of the general state of affairs, the Chinese Government will, in order to promote early reunion of the North and the South, refrain for the present from drawing on the proceeds of the War Participation Loan now on deposit in the Japanese Bank.

[PEKING,] *March 7, 1919.*

[Enclosure 3]

*Article on "Sino-Japanese Agreements" Published in the "Peking Times," March 1, 1919*

#### "NICHU NICHU" DISCLOSES "SECRETS"

The *Nichi Nichi* publishes what purports to be details of the Arms Loan and the National Defense Army Loan Agreements, concluded between Japan and China, which have been made the basis of so much diplomatic rancor during the last few weeks. The Arms Loan contract consists of the following clauses:

"The Chinese Government shall purchase from the Taihei Kumiai arms manufactured in Japan.

"Japan shall supply to China through the Taihei Kumiai 25,000 rifles, 5,000 machine-guns, mountain, field, quickfiring guns and 160 12-inch mortars, with ammunition required for these guns, as well as saddles, wagons, leather and engineers' supplies to the value of Yen 30,000,000 (including Yen 184,000 transport charges).

"The Chinese Government shall not use these arms for the purposes of internal strife.

"The Taihei Kumiai shall have preferential rights in supplying arms to China when necessity arises in the future.

"Japanese officers' should be engaged as instructors for the training of Chinese troops."

## ARMS PARTLY DELIVERED

The *Nichi Nichi* understands that the above contract became an accomplished fact in January [*September*] 1918, and the first instalment consisting of 120 field-guns, 60 mountain-guns, 20,000 rifles and 60 machine-guns, was supplied last year and a second instalment was delivered some time ago. The delivery of the remainder, however, will be withheld.

## NATIONAL DEFENSE LOAN

Particulars of the National Defense Army Loan are as follows:

"A syndicate of Japanese bankers will loan to the Chinese Government the amount of Yen 20,000,000.

"The Chinese Government shall use the proceeds of the loan for the organization of three army divisions, chiefly for the purpose of national defense.

"For the organization of the army, the Chinese Government shall engage Japanese instructors and the necessary arms shall be bought from Japan.

"The syndicate of Japanese bankers shall deliver to the Chinese Government Yen 300,000 each month."

## AMERICAN LOAN FAILED

The *Nichi Nichi* further says that the foregoing contract was signed between China and the Japanese syndicate in February [*September*], 1918, in accordance with the stipulations of the Sino-Japanese Military Agreement, concluded in the same year.<sup>34</sup> At first China wanted, at the advice of the French Government, to borrow funds required for the dispatch of an expedition to Europe from America, but as the negotiations with American capitalists failed the matter was referred to the Japanese bankers. The latter agreed to advance money on condition that the funds should be used for the purpose of organizing a national defense army.

During last year the syndicate paid Y3,700,000 to China, but as there was a possibility of the money being used for the purposes of internal strife the delivery of the remainder of the loan has been withheld and the amount is on deposit with the Chartered Exchange Bank of China.

## WILL BEAT COVENANT OUT

Although it seems to be the desire of the Chinese delegates in Paris, continues the *Nichi Nichi*, that the question of the repudiation of these agreements be decided upon by the peace conference, even

<sup>34</sup> *Foreign Relations*, 1918, p. 224; see also *post*, p. 342.



before the consummation of a league of nations, this will not be possible. As the Japanese authorities are convinced that the revision or abrogation of these agreements will be necessitated by the consummation of a league of nations, it seems to be their intention to carry out the terms of the agreements in a suitable manner before such a contingency arises.

893.00/3034

*The Consul General at Shanghai (Sammons) to the Minister in China (Reinsch)* <sup>35</sup>

No. 2792

SHANGHAI, March 7, 1919.

SIR: With reference to the despatch (No. 2785)<sup>36</sup> of this Consulate-General, of yesterday, I now have the honor to append the text of the communication addressed by the Chief of the Northern peace delegation to the Chief of the Southern peace delegation, regarding the resumption of the peace negotiations between the North and the South—

1 Hankow Road,  
Shanghai, March 6, 1919.

Mr. Tang Shao-yi,  
Chief Southern Delegate.

Dear Sir: I beg respectfully to call your attention to the following in regard to the Shensi question.

The five articles relating to the armistice, agreed upon by General Li Shun and the Military Government at Canton<sup>37</sup> as a solution of the Shensi difficulty, were telegraphed to Shensi by the Central Government on the 13th of February. In connexion with their enforcement, I repeatedly declared to you my feeling of responsibility, for which my colleagues and I later tendered to the Government our resignation and also urged the Government by telegraph to issue strict orders to have the armistice enforced. In response to my request, the Cabinet and the Ministry of War issued instructions to the Tuchun of Shensi which he duly acknowledged and promised to carry out, regarding which copies of the telegrams have been sent to you for perusal.

In addition to the above, permit me to add that the President issued a mandate in regard to the armistice on the 4th instant, which doubtless you have read, it having been published in the *Government Gazette*. On the 5th the Cabinet and the Ministry of War issued a military order which runs as follows:

“Concerning the cessation of hostilities and the demarcation of boundary in Shensi, instructions were telegraphed to you on the 13th of February.

<sup>35</sup> Copy forwarded to the Department by the Consul General under covering letter of Mar. 9; received Apr. 7.

<sup>36</sup> Not printed.

<sup>37</sup> See communication of Feb. 10 from the Consul at Canton to the Minister in China, p. 295.

Yesterday the President issued a mandate ordering that the cessation of hostilities and the demarcation of boundary should be carried out strictly in accordance with the terms of the armistice, and that steps for the suppression of the bandits within the respective jurisdictions should be postponed until Mr. Chang Jui-chi has arrived and completed the demarcation. In view of the peace negotiations which are now proceeding and in which the world is keenly interested, it is essential that the armistice should be strictly and rigidly enforced so that an end may be put to all troubles. It is hoped that you will immediately issue strict instructions to the troops at the front to remain at their posts and not to reopen hostilities upon slight provocations."

This order to the troops in Shensi shows that fighting against the Pacification (or Constitutionalist) forces has ceased, but also prior to the demarcation of boundary, the suppression of bandits will be suspended so as to avoid further misunderstanding. Also may I point out that in the strict orders which have been issued in connexion with the military operations in Shensi and in the readiness with which those orders are obeyed, the earnest desire of the Government and the Shensi authorities for peace is clearly demonstrated. In view of these facts I request that the Conference be resumed immediately so that the discussion of more important questions may be taken up at an early date, that the peace of the country may be speedily consummated and the expectations of the people gratified.

Awaiting your kind reply, I have the honour to remain,

Your obedient servant,

(Signed) Chu Chi-chien  
Peking, March 6, 1919.

Chief Delegates Tang and Chu and  
Mr. Li Loung-mun.

A telegram has been received from Yu Yi (Government delegate to Shensi), stating that fighting in Shensi has stopped and that Yu Yu-jen and Chen Shu-fang are exchanging courtesies and views. It seems the President's mandate is already bearing fruit.

Chang Jui-chi

I have the honor to report, further, that Mr. Tong Shao-yi has sent me a note stating that he is suffering from influenza, and will necessarily be confined to his house for several days.

I am advised this afternoon that the Chief of the Northern delegation to the internal peace conference has telegraphed to the Shensi Demarcation Commissioner, now at Peking, urging him to proceed to Shensi without delay, now that hostilities have ceased.

Chief delegate Chu has also telegraphed to the Military Governor of Shensi, requesting full particulars regarding the cessation of hostilities. A similar telegram has been sent by Mr. Chu to the Southern military commander in Shensi, attention being called to the fact that the newspapers here report that hostilities are still in progress and that the Northern troops are firing on the Southern soldiers, etc., etc.

I have [etc.]

THOMAS SAMMONS

893.51/2142 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, March 7, 1919, 1 p.m.

[Received March 10, 7.58 p.m.]

The funds furnished by Japan to the National Defense Bureau are now in bank to the credit of that organization. The Japanese Government will not stop payment as money technically belongs to the Bureau but Japanese Minister has expressed his opinion to the Chinese Government that it would be well to refuse drawing the money on account of the objections by the majority the Shanghai Peace Conference. British, French, Italian representatives and myself shall adhere to the same opinion. At the meeting of the five representatives today, it was decided that in view of the complaints which have reached [them] from the Shanghai Peace Commission concerning the existence of serious obstacles to peace it is desirable to address to the Chinese Government representations to the following effect:

As the weight of evidence indicates that the armistice has not been observed by Northern commanders in Shensi it is indispensable that the Government should take strong measures to secure the faithful carrying out of the conditions upon which the Conference has relied; and as the continued increase of troops constitutes a great obstacle to peace the first need of the situation is the disbandment of the provincial and Government troops.

The Japanese Minister did not seem to expect that we would take up his recommendations on the loan funds, which he probably made in order [to] clear the record of Japan before Peace Conference rather than in the expectation of definite results. While he personally favors further representations as stated, he has referred the matter to his Government for instructions. The British, the French, the Italian representatives and myself are ready to act under general instructions.

My telegram of February 6th, 10 a.m.<sup>36</sup> Peace Conference adjourned on March 2nd, as a protest against the breach of the armistice in Shensi and continued increase in so called National Defense army. Northern delegation had already resigned in order to express its disapproval of the Shensi matter. The Government fears to remove Shensi Military Governor fearing that all Northern military governors standing together would resist such action. It is necessary that the Peace Conference and President should receive strong moral support.

REINSCH

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<sup>36</sup> Not printed.

893.51/2143 : Telegram

*The Chargé in Japan (MacMurray) to the Acting Secretary of State*

TOKYO, March 7, 1919, 6 p.m.

[Received March 9, 6.44 a.m.]

The following *communiqué* was published by the Foreign Office yesterday:

“On Saturday afternoon, March 1st, Minister Obata sent Secretary Funatsu to the Chinese Foreign Office and delivered a note to the following effect:

‘As the Japanese Government is of the opinion that in the event arms are delivered to China in accordance with the terms of the arms contract, it is likely to obstruct the progress Peace Conference now sitting, it has been decided to suspend the delivery of arms pending the termination of the Conference.

As regards the National Defense Army Loan, the whole amount of the loan was paid over to the representative of the Chinese Government when the contract was signed and the proceeds have been deposited with a Japanese bank on its account. For this reason the Japanese Government has no legal power to stop payment of the fund, but it is desirable that for the purpose of bringing about an amicable settlement between South and North as speedily as possible that the Chinese Government should refrain from drawing out the proceeds of the loan for the present.’”

MACMURRAY

893.00/3043

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2582

PEKING, March 11, 1919.

[Received April 7.]

SIR: In connection with my despatch No. 2572 of December [March] 7th,<sup>37</sup> I have the honor further to report concerning the Shanghai Peace Conference. As the daily progress of affairs at Shanghai is reported to the Department by the Consul General there, who also forwards to you copies of the Intelligence Bulletins published by the “Constitutional Government”, I shall confine myself to brief general comment. The personal relation between the Northern and Southern delegates composing the Conference seems to be one of cordiality and confidence. This is particularly true of the two principal delegates, Mr. Tang Shao-yi and Mr. Chu Chi-chien. A certain feeling of solidarity seems to have grown up which is very healthy and bodes good for a continued future understanding.

As Chinese political affairs are intensely complicated, it was not surprising that the Conference approached the actual problem somewhat gingerly. It must be recognized that the militarists, North and South, control a very strong organization. While they are not formidable from a purely military point of view, their control of finance and the fact that vast contingent[s] of troops are dependent

<sup>37</sup> *Ante*, p. 310.

upon them and would cause at least local trouble and disturbances if they are not effectively handled, makes the question of the military the principal and at the same time the most difficult one. There are great differences and rivalries among the military; if the matter were not handled carefully, enough of the military might form a combination to offer resistance to any reform proposed. While it is easy enough to see what the reform should be: namely, a radical reduction and reorganization of the army, with elimination of the hopelessly corrupt and inefficient, yet the execution of this universally desired reform requires: in the first place, financial support; and in the second, the selection from among military leaders of those who can be usefully retained and formed into a new and better army organization. In a country where things go so much by custom and where so much consideration has to be taken of livelihood, personal relations, etc. this is a formidable task which may in the end require the authority of friendly financial support from without.

The Conference which had been busying itself with preliminaries was suddenly brought to a standstill on March 1st when it adjourned in protest against the disregard of the armistice by the Northern forces in Shensi. That the Northern forces were actually to blame in this matter is indicated by independent information which both the British and this Legation have received; particularly of the fact, that the Southern headquarters in Shensi, at Sanyuan were attacked and that the "constitutionalist forces" were surprised—having relied on the armistice. The above conclusion is also borne out by the fact that the Northern delegates had sent in their resignation during the last week in February as they could not satisfactorily account for the Shensi situation to the Southern delegates.

Another strong source of dissatisfaction on the part of the Southern delegation is the continued development of the forces which were originally enlisted by the War Participation Bureau. This matter has taken on a very considerable complexity. The name of the War Participation Bureau itself has been changed into National Defense Bureau. The three divisions originally raised by it are under the command of General Ching Yun-peng who acts in the double capacity of Minister of War and representative of the National Defense Bureau of which General Tuan is the head. Further troops which were enlisted for the War Participation Bureau to the number of four brigades (it is stated that they are now being increased to eight brigades) are under the command of General Hsu Shu-chen (little Hsu), whose organization is known as the Northwest Defense Bureau. He, also, is an associate and follower of General Tuan, but the relations between him and General Ching contain a certain rivalry.

The funds resulting from the Yen 20,000,000 War Participation Loan are carried in the name of General Ching Yun-peng. General Hsu solemnly assured me that he was taking no foreign money but was supporting his troops with Chinese funds. I am, however, informed that General Hsu laid aside several million dollars from former Japanese loans which he is now using: besides he is levying upon the corrupt Northern Tuchuns, who are trembling somewhat for their positions and are hoping for support from him. He, himself, assures me that his troops and those of General Ching Yun-peng are the only good troops in China; that the others are hopeless because they will not obey a command unless they are especially rewarded each time and unless it suits them in general; and yet that they would cause a general uproar should the Government desire to disband them without having at hand a reliable force to inspire them with wholesome respect. He avows the greatest devotion to President Hsu and a desire to obey the Government and to make its command valid. The people in South and Central China and, largely North China as well, however, seem to consider General Hsu the greatest danger to China. They credit him with boundless ambition and consider that he is building up this new force merely for the purpose of again attempting General Tuan's policy of military coercion against the South and of securing supreme power for General Tuan and himself. It is against him that the objections made by the Shanghai Peace Conference are chiefly directed and yet it will be seen from the above that he is so intrenched that even a cancellation of the War Participation Loan and the dissolution of the National Defense Bureau would not touch him. These facts are now becoming known and attacks are more directly leveled at this General and his troops. The disposal of this question will be first on the program when the Peace Conference resumes its work.

There are indications that a brief intermission in the labors of the Government is not unwelcome to the chief delegates. It is believed that they each have certain recalcitrant elements to take care of and that the intermission will give them a chance to consolidate their support. The best opinion is generally that the program for army disbandment and re-organization should be taken up immediately upon the re-convention of the Conference.

Notwithstanding the formidable difficulties which I have referred to above, it is believed and is quite certain, that if the Conference should lay down a policy for the President to execute, which would provide a real remedy of the situation, the execution would be feasible if the necessary funds could be obtained without delay; because it would then be possible immediately to lay off the unnecessary soldiers and to form a nucleus of efficient generals to carry

through the new organization. The disbandment cannot begin before funds are available because under immemorial Chinese custom, soldiers will not yield up their arms before arrears due them are paid.

The delegates at Shanghai seem to be convinced that this is the main question which must be taken up immediately. It seems, however, that Mr. Tang Shao-yi will insist, as the first step, upon the disbandment of the War Participation troops, particularly those of General Hsu. This would be hitting at the center of the military system and a hard fight may be expected.

The feeling is very strong among the representatives at Shanghai, as well as throughout the country, that the Japanese military organization is in no sense abating its support of the Northern militarists. The Hara Cabinet has indeed announced that it would discontinue the furnishing of arms and ammunition. But it is well known that the ammunition is already furnished and is in the hands of the Northern militarists, particularly those connected with the War Participation Bureau, which is sufficient to give them an enormous advantage should hostilities be renewed. The Hara Cabinet has declared that it could not modify the War Participation Loan but it has caused the Japanese Minister to express the opinion that it might be well for the Chinese Government, under present circumstances, not to draw these funds. It was, however, generally understood that no more serious objection would be raised to the use by the militarists of the funds in question; and until the associated Ministers had taken up the Japanese expression and emphasized it, no attention seems to have been given to it. The opinion has been expressed to me by several representative Chinese that irritating obstacles such as the breach of the armistice in Shensi have covertly received encouragement from the Japanese militarists and that, in short, the plan is to delay the Conference and meanwhile to build up a strong military force in North China, dependent upon Japan with which to defeat any policy of the Conference that may be hostile to the maintenance of militarist ascendancy in China.

In the conferences of the associated Ministers, the Japanese Minister has opposed saying anything to the North concerning the Shensi armistice, on the ground that it would be interfering in internal affairs. Before the people of China, the Japanese can purge themselves of the suspicion of giving a friendly hand to the militarists for the creation of a dependent militarist system in China, only through a frank and candid policy of giving full moral support to the Shanghai Conference and abstaining from encouraging any condition that would constitute an obstacle to its work.

I have the honor to enclose copies of a memorandum on the Peace Conference which I drew up on February 8th as a summary of my judgment and opinion as it was at that time and as they still continue in essence.<sup>38</sup>

There are also enclosed the following Consular reports:<sup>38</sup>

Despatch No. 558, February 10th from Nanking,  
Despatch No. 66, February 18, from Canton,

and newspaper articles containing more or less authoritative statements concerning the above matters.<sup>38</sup>

I have [etc.]

PAUL S. REINSCH

893.51/2148 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, March 13, 1919, 4 p.m.

[Received 5.55 p.m.]

My March 7, 1 p.m. The British, French, Italian representatives and myself expressed opinion concerning nondrawing of War Participation loan funds as indicated. We believe it desirable to urge disbandment of War Participation troops which are now under National Defense Bureau, and Northwest Frontier Defense Bureau, both organized to take charge of and continue relations of War Participation Bureau to which such strong objection has been made by Southern delegates, Shanghai, who consider continuance of these forces an absolute obstacle to peace since military control by Tuan and associates is hostile to aims of the Conference. British Ambassador to Japan has been instructed to urge upon Japanese Government desirability of advising dismemberment [*disbandment*] of these troops. The Japanese Minister at a meeting March 11th stated that his Government considered advice regarding War Participation Bureau as undue interference with Chinese internal affairs. In reply to questions he stated that the loan to the Bureau was a purely commercial transaction on the part of Japanese banks. When asked how Japanese military advisers came to be connected with this loan he stated that he would have to look it up. Other Ministers believe that as the War Participation Bureau was made the vehicle of negotiations with one of the Allies concerning war activities all Allies are to a certain extent responsible before the Chinese people and the world for action taken by the Bureau while still supposedly enjoying Allied countenance. The withdrawal of such countenance is what is proposed. Statements with regard to it can therefore not be con-

<sup>38</sup> Not printed.



sidered internal interference. We are now awaiting answer of the Japanese Minister to question proposed March 11th.

REINSCH

893.51/2133 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, March 14, 1919, 4 p.m.

Your March 7, 1 p.m.  
Action outlined approved.

POLK

893.00/2993a : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, March 25, 1919, 5 p.m.

British Embassy states it has received instructions to ask us to join in requesting the Chinese Government to remove military Governor [of] Shensi responsible for breach of Armistice. Is this covered by your telegrams March 7, 1 p.m.<sup>39</sup> and March 13, 4 p.m. and the Department's instructions of March 14, 4 p.m. If not what do you think of this proposal?

PHILLIPS

893.00/3062

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2636

PEKING, March 27, 1919.

[Received April 21.]

SIR: In connection with my despatch No. 2582 of March 11th relating to the Shanghai Peace Conference, and with despatches from the Consul-General at Shanghai sent directly to the Department, as well as the bulletins issued by the "Intelligence Bureau of the Constitutional Government of China", I have the honor to make a further report.

The Peace Conference is at present still in abeyance. The Southern delegation is not as yet satisfied that the Northern Militarists have actually discontinued operations in Shensi Province. Mr. Tang Shao-yi, himself has been sick with influenza. It is reported that he is discouraged because he has doubts of the sincere support of the Allied Ministers at Peking for the policy of re-uniting China and ridding the country of Militarists' dominance. Such doubts are unjustified as far as the British, French, and American Min-

<sup>39</sup> *Ante*, p. 316.

isters are concerned. It is, however, very difficult to take any specific action without encountering the objection made by the Japanese Minister that interference in the internal affairs in China must be avoided. It is also not desirable that an open breach between the Japanese and the other associated Ministers should occur. The illogical character of the Japanese position has already been pointed out to the Department. Under the pretext of non-intervention in Chinese internal affairs, continued financial support to the Northern Military clique is maintained.

At a meeting of the representatives of the five Powers which gave the original peace advice on December 2nd, 1918, the desirability of disbanding the War Participation troops and of insisting upon the settlement of the Shensi matter was brought up: the British Minister was in favor of strong action to the extent of asking for the dismissal of the Governor of Shensi. The Japanese Minister stated that his Government would feel that expressing any opinion on these matters would be considered as undue interference with internal affairs. All others were of the opinion that in view of the fact that we had in the original advice expressed our hope that nothing would be done which would be an obstacle to peace, we were certainly within the bounds of the original action should we protest in the cases mentioned. In other words we should not be dictating specific terms of settlement but asking for the removal of conditions which stood in the way of any settlement. Personally, I was willing to support my Colleagues in this matter and considered that such action could not justly and fairly be attacked or criticized; I was also fully aware that notwithstanding this protest against non-interference, the entire Japanese policy in China is actually based upon interference by way of supporting certain men and groups of men and in many other ways. I was, however, doubtful whether any protest which we could make would have any effect upon the action of the group which now controls the Peking Government. They would make a polite reply but continue to act in accordance with their party interests and the advice of their Japanese counselors. Our advice would be encouraging to the South and the national unity movement in general, but only platonically so. While I was, therefore, favorably disposed towards taking the action on account of the general effect our statement would have, I did not expect it would result in producing the action called for because even though the Japanese Minister might join us in form, other Japanese influences would be exercised to maintain the policy which we should be protesting against. This could also be done by only making a change in the form while maintaining the substance. My feeling

throughout this matter was that action of the friendly Ministers and Governments in behalf of restoring peace and normal conditions in China could be effected only on two conditions; namely, that the President and the Peace Conference should propose a definite program of re-organization which they could ask us to support; and that thereupon we should be in a position to support not only with advice but with financial assistance. Any other attempt will leave the essential factors in the situation unchanged; namely, the fact that the Northern Militarists are in possession of funds and ammunitions derived from Japanese which give them a sense of power, the fact that Japanese influence will not allow this party to be effectively discouraged, and finally that the President and the national unity forces in general, have not produced a specific program which we could support.

On this last point there are, of course, difficulties which cannot be overlooked. The very announcement of a program on the part of the President to dispose of the disproportionate influence and expense of the military would probably lead to an attempt on the part of the latter to overthrow him or at least to deprive him of all possibility of exercising power. The President, with all his good impulses and intentions is too much given to the old conception of political leadership which means the bringing together of all parties by compromise by promising each some advantage. The idea of boldly coming forth with a policy demanded by the interests of the country which would command the support of the majority but which would also encounter determined opposition on the part of others of great influence—this is a course he cannot key himself up to. He wants to be sure of a definite amount of support before he embarks. I believe it will not be possible to save China from further demoralization unless more definite assurances can be given to all those leaders who represent civilian rule and national unity.

In the meeting of the Ministers referred to above, the Japanese Minister stated that he had told the Chinese Government that the Japanese Government would not stop the payment of the War Participation Loan but that under all the circumstances and in view of opposition to this loan, it might be well not to draw the money. (This matter has already been referred to in my despatch No. 2582.) Sir John Jordan then suggested that we should all make this recommendation which had already been made by the Japanese Minister. The latter seemed surprised at this turn. The suggestion of the British Minister was adopted and as a result the representatives of Great Britain, France, Italy, and the United States called on the Acting Minister for Foreign Affairs and orally expressed our opin-

ion that the drawing of these funds at the present time was not advisable because the continued enlistment of troops constituted an obstacle to peace. On March 15th the Foreign Office presented to Sir John Jordan, an *Aide-Memoire* which was worded in striking similarity to the suggestions which the Japanese Minister had made to any representations concerning the War Participation troops. The *Aide-Memoire* (copy enclosed herewith) also overlooked the fact that the Japanese Minister had given the same advice. Upon its receipt the British Minister discussed with me what attitude we should take in view of the intimation in the *Aide-Memoire* that our action constituted interference with China's internal administration. It was my opinion that the Chinese should withdraw the *Aide-Memoire* entirely. I, therefore, undertook to send word to the President to this effect which I did through two men of high position. They informed me that the President and Premier had held the *Aide-Memoire* several days fearing that it might give offense but that the Minister of War had absolutely insisted upon its being sent. The President then, without again referring the matter to the Cabinet, caused the Acting Minister for Foreign Affairs to withdraw the *Aide-Memoire*, which was done on March 21st.

On March 11th the five representatives again met because of instructions received by the French Minister favoring action in the matter of the War Participation Bureau. On this occasion the Japanese Minister re-iterated his objection to any action because the War Participation Bureau, according to him, was a purely internal affair which should not be especially selected for diplomatic action. He was asked whether the War Participation Bureau had not been selected as the representative of China to make arrangements with the Allied and Associated Governments in connection with the War, and whether a Japanese loan had not been made to it. He stated that the Japanese loan was a purely commercial affair made by certain Japanese banks over which, he implied, the Japanese Government had no control whatsoever. He was then asked how it was that in connection with this loan, Japanese officers were assigned to the War Participation Bureau as Advisors and Instructors, and whether this was a usual arrangement in connection with a purely commercial transaction. At this point he stated that he was not fully informed and would have to refer to the documents and reports of these transactions. . . . Nothing further has been heard from the Japanese Minister on these matters.

During the past ten days, friends of the President have, on several occasions, brought me word from him to the effect that he had given General Tuan notice that the War Participation Bureau and all

associated organs would be dissolved when the peace treaty is signed and that thereafter the troops would be distributed among different commerce [*commands*?]. He believed that as the peace was now so near, he could dispose of the difficulty in this manner.

It seems, however, that General Tuan did not take kindly to this suggestion. He sent in his resignation. Several of his counsellors urged the President to accept it, which action they believed would greatly strengthen his position. The President, however, received indirect intimations from Tuan that the latter expected trouble should his resignation be accepted. The President adopted this point of view, fearing that disturbances in the North would greatly worsen the condition of China. His most intelligent advisors felt that he is too apprehensive—that it would strengthen him should one or even more of the Tuchuns declare their independence because that would clearly force the issue and would bring together all the forces standing for national unity in support of the President. In such an issue it would be difficult for him to suffer defeat especially, also, as the trouble makers would not be able to count on any countenance or support except that secretly given. The President, however, thought better to decline to accept General Tuan's resignation.

On March 21st, Chow Tze-chi informed me that the President had now decided to issue a statement of his re-organization and constitutional policy wherein he would appeal to the country and the friendly powers: that he had instructed the Premier to prepare a statement on disbandment of the troops and the constitution. On March 26th, however, the same gentleman informed me that the paper which the Premier had produced was so general and platitudinous as to be of no use whatever so that it was rejected: also that the President was still uncertain whether he had sufficiently firm ground under his feet to come forward with a statement of policy which would be unwelcome to the Peking Militarists. At this time, I was also, incidentally, informed that more than half of the War Participation proceeds had been used up for current expenses.

From whatever point of view one may consider the situation, the judgement is always brought back to the conclusion that in view of the actual powers still wielded by the Northern Militarists, largely through foreign support, it will require positive encouragement, guidance, and support of the friendly powers if the President and the other civilian leaders are to take courage to enforce a policy for which they are as yet insufficiently organized but which would have practically the whole nation for it, were it once announced by the leaders. They cannot, however, safely announce it in view of local influences until they have some assurance of support.

There is also enclosed copy of a memorandum proposed by the Japanese Minister on March 10th <sup>40</sup> as a basis for representations. The proposal was not accepted by the Ministers as being too general in its terms to be of any benefit.

I have [etc.]

PAUL S. REINSCH

[Enclosure—Translation]

*The Chinese Acting Minister for Foreign Affairs to the Representatives of France, Great Britain, Italy, and the United States*

AIDE-MÉMOIRE

PEKING, March 15, 1919.

The *aide-memoire* presented by the Representatives of France, Great Britain, Italy and the United States on the 7th instant <sup>41</sup> gave evidence of the anxiety felt by them for the furtherance of union between North and South for which my Government is extremely grateful.

The question of the proceeds of the War Participation Loan therein mentioned is one which my Government regards as pertaining wholly to internal administration. Now in the *aide-memoire* presented by the Representatives on the 2nd December last <sup>42</sup> it was stated that they had in contemplation no ulterior plan of intervention and no desire to control or influence the particular terms of adjustment which must remain for the Chinese themselves to arrange, and my Government accordingly attached great weight to that expression of views because of the clear indication which it contained that the Representatives also attached due weight to the maintenance of a position of complete abstention from any interference with China's internal administration.

As for the method to be adopted in dealing with the War Participation Loan my Government will naturally give it the most careful consideration.

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893.00/2994 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, March 29, 1919, 10 a.m.

[Received 10.35 a.m.]

Your telegram of March 25, 5 p.m. As the Chinese at present hope to adjust the Shensi matter satisfactorily my colleagues and myself agree that it is best to wait. The matter is covered by the telegrams mentioned, as the breach of armistice is a most serious ob-

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<sup>40</sup> Not printed.

<sup>41</sup> *Ante*, p. 312.

<sup>42</sup> *Foreign Relations*, 1918, p. 134.

struction. But as the Governor is only the instrument of the Peking military clique they would resist his removal with all their prestige alleging that the advice constituted an interference with internal affairs. In this they would be supported by their Japanese advisers no matter what the formal action of the Japanese Minister might be. While reprobation of the efforts of military clique to undermine and defeat the Peace Conference is very necessary, I believe it should not be attempted until we can speak with more authority than at present and with less risk of securing only a more or less polite reply but no real action. Situation is very complex and we must be sure of our ground.

REINSCH

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**Report on Political and Economic Conditions for the Quarter Ending  
March 31, 1919**

893.00/3180

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2821

PEKING, June 6, 1919.

[Received July 22.]

SIR: I have the honor to submit the following report on the general political situation in China during the quarter ending March 31st, 1919:

1. POLITICAL INFORMATION

A. DOMESTIC

(1) *Political observations and developments.*

The first quarter of the year was not characterized by any important developments in domestic politics. The internal peace conference was convened at Shanghai late in January [*sic*] after many delays, due principally to mutual charges of the violation of the armistice, but suspended its sittings for the same reason at the end of February [*sic*] without having accomplished anything toward a settlement of the domestic difficulties and did not reconvene during the quarter. While there was a great deal of the usual petty intrigue, neither the civilian or peace party, nor the military clique appeared willing to force an issue, probably as a result of a desire to await the outcome of the Paris Conference before being definitely committed to any policy. Through this irresolution the peace party, headed by the President, lost much of the prestige with which it commenced the year, while the failure of the peace conference to recognize its opportunities and responsibilities has led to a general scepticism of its ability to settle the important issues before it.

To take up the history of the conference in more detail, as has already been remarked, the early convocation of the conference was delayed by mutual charges of the violation of the armistice in Shensi and Fukien, by a dispute as to the place of meeting and by the dilatoriness of the Southern Military Government in naming delegates. The first difficulty was met by an agreement to limit military operations to the suppression of brigandage, the second by the Peking Government yielding to the desire of Canton to hold the conference in Shanghai, while the appointment of the Southern delegation was materially hastened by the action of the Diplomatic Body in authorizing the release of Customs funds to the Central Government on January 25th unless the conference should have met meanwhile and directed otherwise. In passing it may be remarked that the amount so released was approximately \$10,000,000 and was released on the specific understanding that it should be devoted to the service of domestic loans (\$4,000,000), diplomatic and consular expenses (\$1,800,000), Canton conservancy work (\$1,000,000) and withdrawal and disbandment of northern troops in Hunan (\$2,200,000). There remains some question as to whether this sum was actually so expended.

The conference was finally convened late in January [*sic*] and continued sitting for about one month. The sessions were occupied principally with wrangles regarding troop movements in Shensi and Fukien, the dealings of the Central Government with Japan, particularly the Arms loan, the continued recruiting for the Northern Armies and the issue of domestic loans by the Government. Very little attention seems to have been paid to the discussion of fundamental questions. On February 28th, following the resignation of the Northern delegation *en bloc*, the Southern delegation presented an ultimatum to the Central Government demanding an answer within forty-eight hours to its proposals for the effective enforcement of the armistice and for the removal of Chen Shu-fan from his office of Military Governor of Shensi. Failing to receive a reply within a suitable time, the Southern delegation stated that it would lay the matter before the Foreign Ministers to China, which was done in a telegram to the Dean of the Diplomatic Body dated March 3rd.<sup>42</sup> The telegram laid emphasis on two points, the hostilities in Shensi and the continued recruiting for the National Defense Army. In a telegram dated the same day refusing to accept the resignation of the Northern delegation the President outlined the official views of the Central Government. Briefly these consisted of a denial of the southern charges of bad faith and a

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<sup>42</sup> See footnote 29, p. 310.



counter charge of unreasonable obstinacy against the Southern delegation. The telegram gave no very convincing explanation of the continuance of hostilities in Shensi and rather supported the Southern charges that "the Peking Government is either manifestly guilty of insincerity . . . or else its authority carries no weight." It is believed that this telegram was forced on the President by the military party and that the President was in sympathy with the conference in its protest rather than with the northern militarists. It was commonly accepted as a fact that the action of the conference in suspending its sittings was intended to strengthen the northern peace party against the military and that the resignation of the northern delegation was a pure formality with the same object. The sittings of the Conference were not resumed during the quarter and its subsequent career belongs to the events of the following quarter.

It is difficult to refrain from criticism of everyone connected with the conference. The northern militarists were against it from the beginning and made every effort to obstruct its success. The conference itself failed to realize its responsibilities and opportunities and wasted in endless bickering the time which should have been spent in the formulation of a programme of reconstruction and the adoption of a definitive policy to support which an appeal to the powers could have been made. The President, the sincerity of whose motives no one questions seriously, displayed the irresolution and lack of political courage which is characteristic of Chinese leaders of today and lost the golden opportunity for prompt statesmanlike action which undoubtedly existed early in the year. The Southern Military Government appeared to have been entirely unconscious of or to have deliberately disregarded China's critical position and helped to wreck the conference by devoting its sole energies to political intrigues designed to strengthen its position in the doubtful provinces.

Early in January a number of conversations took place between the representatives in Peking of the powers associated in the war in regard to a proposal to make a declaration to the Chinese Government that no further foreign loans would be made to the Chinese Government until the country was reunited. A similar engagement in regard to the supply of arms and ammunition was discussed, as mentioned in my last quarterly report. While no definite action was taken at the time in respect to either of these suggestions, mainly owing to the attitude of the Japanese Government which stated that it could not interfere with contracts already in course of execution, the principles advocated were tacitly adopted as a common policy by the foreign governments concerned; Japan, the last to adopt the

point of view, having finally, in the middle of March, suspended further deliveries under the Taihei arms contract and having suggested to the Chinese Government that the money already deposited to its account under the military agreement be not drawn upon. In view of subsequent developments, during the ensuing quarter, it is worth noting that approximately Yen 15,000,000 of arms and ammunition were delivered under the Japanese arms contract between the time that the embargo was proposed by the American Government in December, 1918, and the final suspension of deliveries in March. The adoption of a policy of prohibiting further export to China therefore aroused no little resentment in the south, which claims, with some show of justice, that the north has already received a supply of ammunition adequate to the resumption of hostilities at any time.

As showing in some measure the relative military strength of the various political parties, there is appended a digest of a report on Chinese troops in the field prepared by the Military Attache's office at the end of February.

Southern troops:

Affiliated with Dr. Sun Wen <sup>42</sup> -----	130,000
"    "    Tang Chi-Yao-----	70,000
"    "    Lu Yung-ting-----	42,000
"    "    Tsen Chun-hsuan-----	29,000
Doubtful-----	33,000
	<hr/>
	304,000

Northern troops:

Affiliated with Tuan Chi-jui-----	212,000
"    "    Feng Kuo-chang-----	20,000
Doubtful—(a) Anti-Tuan-----	114,000
(b) Neutral-----	190,000
	<hr/>
	536,000

In comment on the above it may be stated that of the 130,000 troops listed as affiliated with Dr. Sun Wen the allegiance to him of most is more than doubtful. The northern military leaders seem satisfied that Tang Chi-yao, Military Governor of Yunnan, is the controlling factor in the southern federation in a military sense, and they have been in direct communication with him for months past with the object of arranging a peace by understanding between the northern and southern military groups which will perpetuate the military control of the Government.

On January 9th the reorganized Cabinet was approved by Parliament and continued in office during the quarter. The only changes

<sup>42</sup> Dr. Sun Yat-sen.

made by the reorganization were in the portfolios of Finance and War, Kung Hsin Chan having been appointed to the former and General Chin Yun-p'eng to the latter post.

The second session of Parliament commenced on March 1st. The deliberations of Parliament attract no interest, as it is generally recognized that with the government as at present organized all real power is in the hands of the Cabinet and the military leaders.

(2) *Attitude toward the war and [the] peace conference.*

Early in the year, as a result of oral suggestions made by certain of the Legations, the Chinese Government decided definitely to repatriate German residents in China. The Government's orders were made applicable to all Germans but certain general exemptions were granted, such as to persons over sixty years of age, to widows, to wives of German officers and men interned in Japan, to sick persons, to Germans who had spent many years in the Chinese Government service and to such persons as were recognized by the Legations concerned as citizens of the newly established states in Europe. In addition a considerable number of Germans were exempted individually at the request of the several Legations. In all about two thousand Germans were included in the repatriation orders. Considerable difference of opinion was manifested as to the desirability of repatriating doctors and missionaries. The Chinese Government in the first instance showed a disposition to grant a general exemption to all those engaged in important charitable, educational or philanthropic work, but owing to the opposition of certain of the Allied Legations this general exemption was never granted. Under instructions from the Department of State, the American Legation continued to urge on the Chinese Government the most liberal construction of the repatriation orders in their applicability to these classes consistent with the objects in view. As a result of these differences of view, the repatriation of these classes was carried out in rather an uneven manner, considerable numbers having been removed from certain districts while in others practically none were touched. Ultimately the American view seems to have been tacitly accepted and there was very little interference with German missionary work on the Yangtze and in Southern China.

The Government also established a Sequestration Bureau to take charge of enemy property. Branch offices were set up throughout the provinces. The working of this Bureau has not been satisfactory, as in some places, notably in Tsinanfu, extensive sales of German property were permitted, whilst in others even the rental of sequestered property was refused.

Early in the year the Central Government added to the Chinese Peace Delegation in Paris Mr. C. T. Wang and Mr. C. C. Wu, both of whom were closely associated with the Southern Military Government at Canton. This was done in order to meet the criticism that the Chinese Delegation was not representative of the nation as a whole. These appointments were received with very general satisfaction and it is gratifying to state that the Delegation in Paris received the united support of the whole country throughout the negotiations, although the Southern Government did not cease to cavil at the manner in which the appointments were made, and even went so far as to elect a separate delegation of its own, which however did not proceed.

#### B. FOREIGN

##### (1) *Relations with foreign countries.*

The presentation to the Peace Conference at Paris of China's case in regard to Shantung aroused great interest, and the first cabled reports that the Chinese Delegation had made an excellent impression on the Conference gave rise to the belief that the Conference would support China in her request that the German rights and privileges in Shantung would be finally extinguished by the direct return of Kiaochow and the German properties in the province to China. It will be recalled that in response to the request of the Conference for full information as to the Sino-Japanese engagements respecting Shantung the Chinese delegation proposed to lay all secret agreements between the two countries on the table. This led to what was generally termed the "Obata incident." On February 2nd Mr. Obata, the Japanese Minister called on the Foreign Office to express his dissatisfaction at what he termed the unfriendly attitude toward Japan of the Chinese delegation in Paris. He took especial exception to Dr. Koo's offer to lay all secret agreements on the table, which he contended according to diplomatic usage should not be done without first reaching an understanding with Japan, as the documents in question affected Japan equally with China. Mr. Obata stated that Japan would have no objection to publishing the private agreement of September 24th, 1918 (which confirmed Japan in her succession to the German rights in Shantung). He concluded with a veiled threat, pointing out that Japan had a Navy of 500,000 tons and an army of 1,000,000 men waiting idle.

This interview brought forth a storm of protest from the country. Mr. Obata's remarks appear to have been ill-judged to say the least, as they helped to inflame the anti-Japanese sentiment throughout the country, while, if intended to intimidate the Chinese delegation, they failed entirely, as the delegation continued to urge the

justice of China's claims to the end. The discussion of China's position in regard to Shantung may better be left to be dealt with in connection with the events of the succeeding quarter, when the Shantung question was finally settled. It may be remarked in passing that the opinion was strongly held in both foreign and Chinese circles that the Conference would accept the Chinese view of the case and accede to China's request.

As has been noted in previous quarterly reports, China's foreign policy of recent years is occupied almost exclusively with Japanese relations, all other matters being considered primarily in their relation thereto. This has continued to be true. In the Peace Conference, China thought she had found the means of defeating Japanese aggression without taking any undue risk herself and the Conference therefore engaged the attention of the Chinese public practically to the exclusion of all other matters of foreign policy. For the same reason the League of Nations makes a strong appeal on principle to China.

During early February the agreement reached amongst the associated powers in regard to the administration of the Siberian and Chinese Eastern railways was communicated to the Chinese Government. The latter showed a feeling of pique at not having been consulted earlier with regard to the Chinese Eastern Railway, in which she has a direct interest, not only on account of its location in Chinese territory, but also as a present part owner and the ultimate reversionary owner; in consequence the Government suggested certain modifications in the arrangements made. In view of explanations that these arrangements would in no way interfere with the rights enjoyed by China under the Chinese Eastern Railway construction agreement with Russia, but applied only to the Russian management under that agreement, the modifications suggested were withdrawn and China accepted the scheme, suggesting however that wherever possible Chinese technical assistance should be utilized on the Chinese Eastern Railway and that the line should be guarded by Chinese troops, as provided for in the construction agreement. Chinese representatives on the Inter-Allied Board of Control and on the Technical Board were appointed.

(2) *Attitude toward the United States and Americans.*

Due to the belief already mentioned that China would recover her lost rights in Shantung through the Paris Conference and that the United States would be instrumental in bringing this about, America reached the zenith of her popularity and prestige during the quarter. The Chinese press continued to be friendly in tone and there was evident a desire to accord sympathetic consideration

to any American proposals. Rightly or wrongly the Chinese felt that China had entered the war under America's wing and that America would stand sponsor for her at the Conference.

Further, the President as has been noted in previous reports, enjoys a large measure of personal popularity in China as the advocate of impartial justice and the champion of the weaker nations.

It is with regret that there must be recorded a growing tendency in the interior to treat foreign residents with a disrespect which in many instances amounts to insult. As a rule, it is the Chinese troops who are the offenders. While no serious outrages against Americans were reported during the quarter, the tendency mentioned was made the subject of a number of reports to the Legation. Foreign travellers on the railway were subjected to annoyance by soldiers, in some cases being expelled from their coupés. Missionaries report insulting remarks passed by troops. While these incidents taken individually are of trifling importance, any general decline in foreign prestige in the interior is bound to lead to serious consequences, as this is the sole defence of foreigners in remote parts of the country. This unfortunate tendency may be accounted for by the fact that the troops in China as a rule are under very lax discipline, are recruited from the worst classes, and that it is next to impossible sufficiently to identify offenders to make individual punishment possible.

#### C. PROPAGANDA

##### (1) *Activities of enemy propaganda.*

With the conclusion of the armistice and the arrangements made for the repatriation of German residents in China, there has been an almost complete cessation of enemy propaganda in China. One or two instances have been reported from the Yangtze region of stories in circulation which are obviously of German origin, discrediting the Allied victory, but it is believed that all organized enemy propaganda is at an end.

##### (2) *Anti-American propaganda.*

There have been repeated instances brought to the attention of the Legation of violent and scurrilous attacks on America and things American in Japanese owned Chinese papers. These cover a wide range and include political attacks, personal attacks on President Wilson, personalities regarding American officials such as a charge that the American Consul at Tsinan was smuggling opium, and attempts to stir up Anti-American feeling, such as the report, appearing in the premier Japanese owned Chinese daily in China, in

connection with the Tientsin fracas,<sup>42</sup> that several tens [*sic*] of Chinese had been killed by American soldiers. Generally speaking these articles do little harm under existing conditions, as the Chinese recognize them as inspired products and discount them accordingly. Moreover their very violence defeats their own ends.

There has also been apparent an attempt on the part of the Japanese to revive the pan-Asia movement and to stir up racial animosity in China against white residents. This has however met with no success.

As against this Japanese propaganda, there must be noted a very general tendency in both the Chinese and foreign press to criticize things Japanese in no uncertain way. . . .

## 2. ECONOMIC INFORMATION

### A. ACTUAL ECONOMIC CONDITIONS

The railway unification scheme mentioned in the last quarterly report, continued to be widely discussed. The Diplomatic Advisory Council adopted the principle of unification and international financing of Chinese lines and recommended it to the Chinese Delegation in Paris, but against this must be recorded the opposition to the proposal developed with the new Communication clique, which, in conjunction with the Northern Military party, practically controls the Government. The reasons for this opposition are varied: In the first place the Diplomatic Advisory Council is under the control of the Chin Pu Tang, the political rivals of the Communications clique, and the endorsement by the Council alone would probably be sufficient to account for the opposition. Additional reasons are that unification and international financing would reduce materially the opportunities for corruption, and would weaken the very strong hold which this group now has over China's railroad system. There is probably a genuine fear that some elaborate foreign railway administration may be imposed on China. Finally a criticism continually repeated is that the scheme would not include within the scope of its operation the four concessionary lines, that is, the Chinese Eastern Railway, the South Manchuria Railway, the Shantung Railway and the Yunnan Railway. The proposals of the new Consortium in this regard will be awaited with great interest.

The inadequate traffic facilities on existing lines noted in the last report showed no improvement during the quarter. It is understood however that a number of contracts have been or are about to be placed to remedy this.

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<sup>42</sup> See vol. II, pp. 420 ff.

The difficulties of the Kiukiang-Nanchang line, mentioned in the last quarterly report, again attracted public attention. According to press reports a further Japanese loan is contemplated.

A number of conversations were had during the quarter with relation to the extinction of German interests in the Hukuang railways. These did not result in definite action until the ensuing quarter however.

It is with regret that the continued and wide spread cultivation of poppy must be reported, in many places with official sanction. It is believed that the central authorities of both the Northern and Southern Governments are sincere in desiring to suppress this, but the local authorities in many of the provinces, hard pressed for funds, do not hesitate to grant permission to plant against the payment of heavy taxes. The Legation is without any reliable reports from Kwangsi, Kweichow, and Yunnan, but consular and missionary reports make it abundantly clear that opium growing on a very large scale is being carried on in Shensi, Fukien and Szechuan.

The prevalence of brigandage and piracy noted in the last quarterly report has continued unabated. Indeed in the province of Shensi matters went from bad to worse and traffic west of Hsianfu was suspended throughout the whole quarter on account of brigand activity. In parts of Fukien there was some slight improvement but over much of the province and in the Canton Delta brigandage and piracy were of common occurrence.

During the quarter there was brought forward, in connection with the release of Customs supplies [*surplus*] funds, a project for flood prevention in the Canton Delta. The lands in this area subject to inundation and protected by dykes total 8,300,000 "mow" of which 5,538,000 "mow" are agricultural lands. The Canton Conservancy Board has elaborated a scheme of dyke repair and reconstruction to extend over fifteen years and to cost about \$34,000,000. Pending financial arrangements to enable this to be taken in hand, the Conservancy proposes a subordinate scheme to cost about \$11,000,000 and to be executed in six years, which it is hoped can be financed from Customs surplus funds.

Two very destructive fires occurred during the quarter, one at Swatow entailing a property loss of about \$2,000,000 and one at Pengpu, Anhui, where the loss was variously estimated at from \$2,000,000 to \$10,000,000.

The Chinese Government during March urged on the various Legations its desire for the speedy ratification by the Governments concerned of the Revised Import Tariff. Up till the end of the quarter none of the Governments concerned had given formal ratifi-



cation. In this connection it is necessary to note the continued violation of existing conventional tariff arrangements by the provincial governments with the full approval of the Central Government. By treaty, upon payment of extra half import duty a foreign merchant is entitled to secure a transit pass which frees his merchandise from "all further inland charges whatsoever". Of recent years the Chinese have been devising one new tax after another to evade the terms of this treaty prohibition. Of these the destination tax has been collected now for some years despite repeated foreign consular and diplomatic protest.<sup>43</sup> Originally the destination tax was collected only from Chinese merchants in the interior after the foreign imported goods had passed out of the hands of the foreign importing firm. The foreign authorities have practically ceased to protest against this, realizing the futility of so doing. Latterly it appears that the provincial authorities have gone a step further and are now collecting this tax on foreign imported goods immediately on arrival at port of destination and while still in the hands of the foreign importing firm. The repeated protests of the Legation against this flagrant violation of a treaty exemption have been without avail.<sup>44</sup> In certain parts of the country, notably Shensi, another tax, called the Commercial Tax is being collected, alike on goods covered by transit pass and ordinary shipments. Inasmuch as the Revised Tariff will increase materially the cost of transit passes, it is felt that strong measures should be taken to force the Chinese Government to give effect to the provisions of the treaties granting immunity from inland taxation.

In connection with the domestic peace conference a number of reorganization plans were brought forward informally by various personages connected with the conference. Of these that prepared by Mr. Chu Chi-chien contains a mass of interesting economic information. While this document is too long to be reviewed in any detail, the following notes deserve consideration. During the last days of the Manchu regime the annual budget amounted to roughly \$356,000,000 and showed a very small annual deficit. During the first year of the Republic the budget increased to \$642,000,000 and despite a large foreign loan (\$225,000,000) a deficit of \$86,000,000 was recorded. During 1914 and 1915, when conditions were more or less normal, the budget was reduced to \$382,000,000, and a credit balance of \$30,000,000 was shown. In 1916 the estimated budget was \$472,000,000 showing a slight credit, but owing to the recurrence of disorders, many items of income fell far short of the estimates,

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<sup>43</sup> See *Foreign Relations*, 1915, pp. 216 ff.

<sup>44</sup> No reports found of recent correspondence on this subject.

while military expenses were largely increased, with a resulting deficit of \$80,000,000. Turning to the item of military expenses, Mr. Chu estimates that in 1918-1919 there were in all 1,290,000 men under arms (both Northern and Southern forces) requiring \$209,000,000 for maintenance. Of this sum the Central Government pays \$90,000,000 odd. The figures given make no allowance for increases in the southern provincial forces since 1917 nor do they include cost of upkeep of arsenals, etc. In summarizing Mr. Chu estimates the available annual income of the country at \$370,000,000 as against the present annual expenditure of \$507,000,000, of which nearly half is for military expenses of one sort or another. For the service of national debts \$120,000,000 are required, and for administrative expenses at least \$130,000,000. From a study of these figures Mr. Chu concludes that China's only hope of getting on a sound financial basis lies in reducing military expenditures from approximately \$240,000,000 (cost of troops maintenance plus arsenals and other military expenses) to \$110,000,000. This would necessitate the disbandment of fifty army corps, which it is estimated will cost \$50,000,000. Moreover there are in addition some \$30,000,000 due as back pay. As the disbandment cannot be carried out simultaneously all over the country, it is estimated that between \$45,000,000 and \$65,000,000 will be required to pay troops pending this disbandment. To this must be added some \$8,000,000 for transportation expenses in connection with withdrawal. Tabulating these items Mr. Chu reaches the following conclusion:

## DISBANDMENT WITHIN ONE YEAR

Expenses of disbandment, payment of arrears, and maintenance pending discharge-----	\$95,000,000
Cost of withdrawal-----	8,000,000
Cost of providing employment after discharge-----	30,000,000
Deficit before conclusion of loan-----	60,000,000
Total-----	<u>\$193,000,000</u>

Should disbandment be carried out over eighteen months instead of one year, the first item will show an increase of \$22,000,000. Mr. Chu holds that these expenses must be met by a foreign loan.

Other interesting statistics shown are the amounts expended on education by the Central Government \$4,272,000 and by the Provinces \$35,000,000, or a total of say \$40,000,000 for education as against nearly \$250,000,000 for army and navy combined. In addition to this purely military expenditure nearly \$20,000,000 is spent for police and *gendarmerie*.

It should be noted that Mr. Chu's estimates of the cost of disbandment are based on the figures of the 1913 disbandment. This was carried out in a most irregular way, and it is the conviction of many who are in a position to know the facts that few if any troops were actually discharged on that occasion. Further it is questioned if the actual number of men under arms in the various divisions and brigades is within measurable distance of the totals claimed. It is therefore suggested that if disbandment is carried out under adequate supervision, the amount necessary will not approach Mr. Chu's estimates.

It is interesting to note further that one of the most prominent northern militarists has expressed the opinion that no foreign loan is necessary. This probably means that the northern military party would be [*sic*] prefer to chance obtaining funds from one source or another to continue the payment of troops rather than to have an effective disbandment carried out.

All Chinese are agreed as to the necessity of providing employment for discharged troops. As expenditures for this purpose would be productive, no difficulty in raising funds therefor is anticipated, and it is suggested that the amount shown in Mr. Chu's estimates for this purpose might well be increased.

#### 4. FINANCIAL INFORMATION

##### A. LOANS, DOMESTIC AND FOREIGN

No foreign loans of any importance were contracted during the quarter, a result presumably of the tacit understanding between the powers that no further financial assistance will be afforded to either the northern or southern governments until the country is reunited.

Early in the year the Government planned to float a domestic loan of \$40,000,000. The proposal aroused much opposition in the South and as the prospects for the success of the loan were not bright, public offer for subscriptions is understood to have been abandoned, although the bonds were used as collateral in various smaller loans.

Faced with an average monthly deficit of \$10,000,000 and with all foreign financial assistance withdrawn, the position of the Government has been desperate. Recourse has been had to the wildest expedients to raise cash. Short term loans of small amounts have been negotiated with native banks at 15 to 20% interest secured on treasury bills or domestic loan bonds in four times the amount of the principal. Failing the prompt solution of the domestic difficulties whereupon a foreign loan would be available, a financial crash appears to be inevitable.

## B. FLUCTUATIONS OF EXCHANGE

The banks average buying rate of U.S. \$100 for January was Peiyang \$111.92, for February was Peiyang \$119.72 and for March was Peiyang \$124.18. The highest point touched during the quarter was Peiyang \$126.14 and the lowest point \$111.02.

It may be interesting to note that actual gold coin brings greatly higher returns. There is not a sufficient market to give accurate quotations but there is never any difficulty in securing Peiyang \$160 for \$100 U.S. Gold coin.

## C. FINANCIAL CONDITIONS IN GENERAL

The desperate financial straits of the Government has been touched on already under the headings of Economic Information and of Loans.

It seems to be generally recognized that recourse must be had to foreign financial aid to get through the critical period of reconstruction, but it is feared that there may yet be no little difficulty in inducing the Chinese Government to agree to such measures of auditing or other control as the Consortium may consider essential to safety. Despite the fact that the vast majority of Chinese themselves admit the corruption and inefficiency of the financial departments of the Government, they are bitterly opposed to whatever savors of foreign control of Chinese national finance. Those interests in Peking which view with disfavor the sound and conservative principles insisted upon by the Consortium, appear to be playing upon this fear of foreign control. It is believed that China may be induced to accept the principle of a foreign auditing control, provided that her liberty of action in regard to fundamental questions of financial policy is respected.

I have [etc.]

PAUL S. REINSCH

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**Resumption of the Internal Peace Conference, April 7—The Eight Demands of the Southern Delegation, May 13—Disruption of the Conference—Memorandum of the American, British, French, Italian, and Japanese Representatives Urging Resumption of the Conference, Presented June 5**

893.00/3093

*The Consul General at Shanghai (Sammons) to the Minister in China (Reinsch)*<sup>45</sup>

No. 2939

SHANGHAI, April 7, 1919.

SIR: I have the honor to report the resumption today of the Internal Peace Conference. While Tong Shao-yi, the chief of the

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<sup>45</sup> Copy forwarded to the Department by the Consul General under covering letter of same date; received May 12.

Southern Delegation, is not entirely satisfied with reference to the cessation of hostilities in Shensi Province, he has decided to join in the holding of informal, secret meetings. It would seem that both the Northern and the Southern Delegations feel that the continuance of the publicity feature of the conference would, at this time, tend to prejudice the object which it is desired should be obtained.

In the meantime, the *Shanghai Times*, (accepted as being pro-Japanese in its policies), in particular, continues editorially to question the sincerity of Tong Shao-yi as the leader of the Southern Delegation. This newspaper procedure on the part of the *Shanghai Times*, in which it is supported, at times, by the *North China Daily News* (British), seems to be calculated to foment misunderstanding between the Northern and the Southern Delegations.

I have [etc.]

THOMAS SAMMONS

893.51/2229

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2681

PEKING, April 12, 1919.

[Received May 17.]

SIR: I have the honor to transmit herewith enclosed the translation of the Chinese text of the War Participation Loan Agreement<sup>46</sup> as published in the *Peking Leader* of April 10th, 1919.

I have [etc.]

PAUL S. REINSCH

[Enclosure—Translation]

*The War Participation Loan Agreement between the Chinese Government and the Bank of Chosen, September 28, 1918*

#### PREAMBLE

On the strength of the principles of the Agreement made by both countries for the co-operation of the armies in defence against the enemy,<sup>47</sup> the Chinese Government (hereinafter called A), for the purpose of organizing and training an efficient army for the national defence and of the defrayal of the expenses in connection with War Participation, has entered upon the following loan agreement with the representative of the Bank of Chosen (hereinafter called B), which represents the Japanese Bank of Chosen, Japanese Industrial Bank and the Bank of Taiwan:—

ART. 1.—The total amount of the loan shall be Japanese Yen 20,000,000, for which an equivalent amount of the Government Treasury Bonds of the Chinese Republic shall be given to B.

<sup>46</sup> See also p. 312.

<sup>47</sup> See *Foreign Relations, 1918*, p. 224.

ART. 2.—The issue of the above mentioned Bonds shall be made within the period of one year; and the annual interest shall be 7% for which Coupons shall be attached to the bonds as usual. 1% shall be deducted from the Bonds for expenses, and at the expiration of the above period both parties shall in accordance with the terms herein specified jointly fix regulations for the issue of the bonds.

ART. 3.—When the proceeds of the loan are delivered over to A, they shall be deposited with B, who shall pay 7% interest for the amount deposited.

ART. 4.—When it is necessary to draw the above mentioned deposits, B shall in accordance with the special regulations separately fixed deliver same to the person or persons nominated.

ART. 5.—All the expenses in connection with the printing of the bonds, stamp tax etc. shall be borne by A.

ART. 6.—In case in future A is in need of another loan for a similar purpose, preference shall be given to B.

Two copies of both the Chinese and the Japanese text of the above agreement shall be signed, to be kept one by each party; and in case of doubts arising on any point of the agreement, the Japanese is to be followed.

[No signatures indicated]

#### ANNEX

A.—With reference to the provisions laid down in Article 4 of the War Participation Loan signed to-day, the proceeds of the Loan shall be delivered direct to the Director-General of the Organ for the control of the National Defence Army.

B.—The Chinese Government has decided to redeem in future the War Participation Loan by the proceeds of the new taxes which shall soon be enforced, etc.

THE BANK OF CHOSEN,  
THE REPRESENTATIVE OF THE NIPPON KIOGIO BANK,  
THE BANK OF TAIWAN.

DEAR SIRS: We beg to inform you that regarding the War Participation Loan Agreement signed on the 28th day of the 9th month of the 7th year of the Chinese Republic, the Government of the Chinese Republic shall use the revenue of the new taxes which will be reorganized in future for the repayment of same.

(Signed and Sealed) C. MINOBE,

*Governor of the Bank of Chosen*  
CHANG CHUNG-HSIANG,  
*Envoy Extraordinary and Minister Plenipotentiary of the Chinese Republic*

893.00/3099 : Telegram

*The Consul General at Shanghai (Sammons) to the Acting Secretary of State*

SHANGHAI, May 13, 1919.

[Received May 14, 8.12 a.m.]

Internal Peace Conference disagrees; all resign.

SAMMONS

893.00/3099 : Telegram

*The Acting Secretary of State to the Consul General at Shanghai (Sammons)*

WASHINGTON, May 14, 1919, 5 p.m.

Your May 13. Please give further details Peace Conference break, reason for disagreement and its bearing upon situation.

POLK

893.00/3102 : Telegram

*The Consul General at Shanghai (Sammons) to the Acting Secretary of State*

SHANGHAI, May 16, 1919, 5 p.m.

[Received May 17, 4.58 a.m.]

Replying to your May 14, 5 p.m. Ostensible cause disagreement parliamentary problem. Understand Tuan willing reinstate old Constitutional Parliament if his army and China and Japan secret treaties are sustained. Understand President Hsu also willing reinstate old Parliament if he is assured reelection. In this connection understand President Hsu deems it impracticable for his official safety to definitely oppose Tuan and Japanese party. Reliably reported Peking has advanced General Lu Yung-ting, Southern Canton Governor and military leader, one million half Mexican dollars. Obviously continuance Peace Conference deadlock strengthening Japanese preponderating position, although Shantung incident has precipitated unusually vigorous Chinese boycott on Japanese goods. Under pressure from Peking and Canton Governments urging delegations reconsider prospects and make mutual concessions, agreement may be reached on vital questions concerning army and financial reorganization under expert foreign supervision, such supervision to be provided in proposed army reorganization loan of two hundred million. Accepted here by foremost Chinese of all parties. Tuan with Japanese support growing more dominant. Copy to Legation.

SAMMONS

893.00/3135

*The Consul General at Shanghai (Sammons) to the Minister in  
China (Reinsch)*<sup>48</sup>

No. 3107

SHANGHAI, May 16, 1919.

SIR: As possibly concluding the formal reports connected with the Internal Peace Conference, I have the honor to place before the Legation and the Department Bulletin No. 44 of the Intelligence Bureau of the Constitutional Government of China, under today's date. This reviews the ultimatum of the Southern Delegation, and their explanation of the various clauses.

It now remains to give a summary of the Northern Delegation, with reference to the ultimatum of the Southern Delegation, regarding which I have very reliable first-hand information, as follows:

On No. 1, the Shantung question, the two delegations practically agree.

In regard to the 2nd, about the secret treaties, the position of the Northern Delegation is that as soon as peace in Europe is signed, the Sino-Japanese military pact will automatically expire according to the arrangements made between Peking and Japan on February 5 (?) and March 1 (?), 1919, (not sure of the dates.)

In regard to the third, the disbandment of the war participation army, the national defense army, and the frontier defense army, the position of the Northern Delegation is that as soon as the general disbandment is agreed upon, these armies will be disposed of under that plan.

In regard to number four, the removal of military governors and provincial governors, who are unpopular and obnoxious to the people, the position of the Northern Delegation is that it is the business of the United Government. The Peace Conference should not meddle with administrative matters.

In regard to the fifth question, the restoration of the old Parliament, the Northern Delegation think that this is a demand of an extreme or uncompromising character, and that no one can restrict its freedom of action once the Parliament is restored. This was the unfortunate fact in 1916, when it was restored by Tuan Chi-jui.

In regard to number six, position not known.

In regard to number seven, the questions that have been discussed by the Conference have been practically agreed upon. The only one over which there is some conflict of views is the local self-government question.

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<sup>48</sup> Copy forwarded to the Department by the Consul General under covering letter of same date; received June 21.



In regard to number eight, the recognition of President Hsu by the South as Provisional President of China, the Northern Delegation feel they cannot agree, because the President has been recognized by the Powers long ago. Any such action undertaken by the Parliament would shake the foundation of the Government, which is detrimental to the interests of the country.

I have [etc.]

THOMAS SAMMONS

[Enclosure]

*Bulletin No. 44 of the Intelligence Bureau of the Constitutional Government of China*

SHANGHAI, May 16, 1919.

Since the resumption of the Peace Conference sessions on the 7th April last, both Delegations have been working assiduously and harmoniously together in discussing the various subjects submitted to the Conference.

Much progress have been made and many of the problems disposed of or a solution for them found and agreed to in the rough by the special committees or formally by the Conference.

The memorandum submitted by the Southern Delegation in writing to the Northern Delegation two days in advance and brought up at the formal session of the Conference on the 13th Inst. consisted mostly of subjects which had been either discussed informally or partially or had been held in reserve for discussion at a more opportune time.

To counteract the false impression which incomplete or inaccurate reports of the last session of the Conference may have caused, a circular telegram has been sent out by the Southern Delegation, giving a true statement of the facts and justifying the action they have taken in resigning.

The following is a translation of the telegram :

“To all the Provincial Assemblies, Educational Associations, Chambers of Commerce and the Press of the country :—

It is several months since the undersigned were commissioned by the Constitutional Government (at Canton) to act on the Delegation to the Internal Peace Conference. When the preliminary questions, such as the Shensi military situation and the disbandment of the War-Participation Army etc., were brought up, the behaviour of the Peking Government with relation thereto was such as to cause a deadlock for more than a month, the circumstances of which have been made the subject of a previous statement by us to the public. In the natural course of events, the resumption of Peace negotiations would depend upon the removal of the cause of the deadlock. But out of consideration for the wishes of the people and the rapid moving of international events, the undersigned in a spirit of con-

ciliation agreed to renew negotiations which have been conducted now for more than a month.

In the meanwhile, an offensive campaign was being carried on (in Shensi) principally against Chien-hsien while Peace negotiations were going on in Shanghai. Besides, a large consignment of arms and ammunition was being imported by the North. Even now, there is no positive evidence of the sincerity of the North in their desire for Peace.

Recently, realizing the critical state of our international relations and the increasing desire of the people for peace, and basing our action upon the sentiments of the whole nation, at the same time, noting what has transpired at the Conference and gauging how far both parties may be able to keep together on common ground, the undersigned presented a memorandum containing eight proposals as follows:—

1. To declare China's resolve not to agree to the proposed settlement of the Shantung questions decided upon by the European Conference.

(*Explanation*) In the case of diplomatic questions, the Government should always express its resolute attitude in some appropriate manner to the nations of the world in the form of a mandate or *communiqué* or official note. The present Shantung question is an issue which is of vital importance to the existence of our nation. If we fail to lodge a strong and appropriate protest now aside from merely instructing our delegates not to sign the Peace Treaty, we would not be in a position to remedy the matter in the time to come.

2. To declare the invalidity of all covenants, pacts and the like secretly entered into between China and Japan and to severely punish all those directly engaged in or responsible for the consummation of them.

(*Explanation*) The secret treaties entered into between China and Japan are extremely detrimental to the nation in that they encroach upon our sovereign right and bring utter humiliation to our country. They have never received parliamentary approval. Their consummation has been brought about by treasonable individuals who conspired in the admission of privileged alien influences for their private gain and to the detriment of the nation. Therefore, it is only right to cancel these agreements and severely punish those responsible for its [*sic*] contraction in order to appease the nation.

3. To effect the immediate disbandment of the War Participation Army, the National Defence Army and the Frontier Defense Army.

(*Explanation*) These special military organisations referred to above are the outcome of the Sino-Japanese Military Pact,<sup>49</sup> having for their bulwark the special influence of a certain foreign nation and they are bound to cause endless trouble in the future; hence, the necessity of their disbandment.

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<sup>49</sup> *Foreign Relations*, 1918, p. 224.

4. To remove the Tuchuns and Provincial Governors who by their specially notorious maladministration proved themselves unpopular and obnoxious to the people.

(*Explanation*) Those officials whose actions have brought detriment and misery to the people should have been removed by the Government without repeated requests from the Peace Conference and appeals from the people.

5. That the Peace Conference should issue an announcement that the mandate issued by the former President Li Yuan-Hung, on the 13th of the 6th month of the 6th year of the Republic (1917)<sup>50</sup> was illegally issued and therefore invalid.

(*Explanation*) There being no provision in the Provisional Constitution for the dissolution of Parliament, a Mandate not based upon the laws of the nation is unconstitutional and *ultra vires* and therefore, should have no effect. Moreover, President Li Yuan-Hung issued the said mandate under compulsion and he himself has subsequently publicly avowed its illegality. Even Gen. Chiang Chao-Chung, the Commander of the Peking *Gendarmes* who signed the said mandate in the capacity of Acting Premier telegraphed and confessed before the entire nation that the procedure was unconstitutional. It naturally follows that the said mandate should be declared null and void. Furthermore, our diplomatic failures in the recent years have been brought about since the dissolution of Parliament. Following the first dissolution by Yuan Shih-Kai (in the 2nd year of the Republic or 1913), the famous (or infamous) Twenty-one demands and a secret treaty between China and Japan were signed. Following the second dissolution of Parliament by Li Yuan-Hung (6th year of the Republic or 1917) a number of other Sino-Japanese secret agreements were consummated. None of these documents signing away national rights could have been passed by Parliament but for its unfortunate dissolution. Foreigners would not have dared even to make an attempt at what they have now actually succeeded in accomplishing. Under these circumstances, the people were inevitably taught a lesson—to be firmly convinced that the restoration of a Constitutional Parliament is the most urgent necessity in our national salvation. However, the Conference has refrained from taking up this subject at the beginning for reasons of expediency, in view of the European Conference being in session. It would have been extremely disadvantageous to China as a whole, if our Internal Peace Conference should come to deadlock then on this parliamentary issue. The necessity of this expediency has now passed. We are already undeniably defeated at the world conference in all our aims and hopes. Realizing at the same time that the root of the failure lies in the absence of a Parliament, we, therefore, insist upon its restoration. Because in this measure alone lies the only thread of hope within reach of ourselves for the annulment of all the iniquitous covenants on the logical ground that they never received the approval of the Parliament. The restoration of the Parliament, therefore,

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<sup>50</sup> *Foreign Relations, 1917*, pp. 67–68.

should not be indefinitely deferred for reasons of external as well as internal policy.

6. That a special Administrative Council be formed of men of national distinction, selected and recommended by the Conference for the purpose of superintending the enforcement of the decisions of the Conference. The formation of the Cabinet of the unified Government shall be subject to the approval of this Council, which shall be dissolved immediately upon convening of the Parliament.

*(Explanation)* Before the Convening of the National Assembly, a formal cabinet can not be organised; hence, the necessity of this transitional organ proposed here to tide over the period.

7. All questions whether already passed upon by the Conference or referred to special committees for investigation and other questions to be brought up before the Conference shall be separately dealt with and definitely settled.

*(Explanation)* This is the natural procedure for settling all unfinished matters.

8. That the Conference officially recognise Mr. Hsu Shih-Chang as the Provisional President of the Republic for discharging the functions of that office until the formal election by the Parliament of a permanent successor. (This article will be given no effect until or unless the previous seven are agreed to).

*(Explanation)* This momentous sacrifice on the part of the South-west is prompted by the spirit of mutual concession and by the earnest desire for immediate unification of the country. It is understood that Mr. Hsu Shih-Chang holds his position contrary to the Constitution in not having been legally elected.

The fore-going Articles together with the explanations have been duly submitted by the undersigned at a Formal session of the Internal Peace Conference on the 13th Inst., together with the declaration that these proposals represented the ultimate views (limit of concession) on the part of the South-west. But the Northern Delegation could not agree with any of them with the exception of the first article, and was opposed particularly to the fifth article, saying that it was impossible for the North to accept this for discussion and that if this could not be amended to their satisfaction, the Northern Delegation would refuse to discuss any of the rest. As a counter-proposal, it was suggested that the North would request the five Provinces of the South-west to elect members to join the new Parliament now sitting in Peking.

Thus, the North has revealed definitely its extreme opposition to the Southern view point, in spite of our willingness to concede to the very limit of our possibility in order to realise an early peace. The 8 articles enumerated above indicate unmistakably this conciliatory attitude on the part of the Constitutional Government and the Provinces of the South-west as devoid of any consideration of private interest and sectional privileges. The Peking Government, on the other side, has not shown the least inclination to change its policy since the beginning of the Peace Conference. The War-Participation Loan continues to be drawn upon and squandered; the organisation of the War-Participation Army, the National Defense

Army and the Frontier Defense Army are being pushed forward every day with the intention of over-awing the South-west by military prowess as well as alien influence; while the people remain down trodden by a few military despots. To this very day, the Northern Delegates treat our proposals for political reform and for constitutional solution of the problems with utter disregard. Under such circumstances, how can the Peace Conference proceed? We are, thus, at the end of our wits. Realizing our incapability of carrying on this important work any longer, we have tendered our resignation to the Constitutional Government at Canton on the 14th Inst. Our resignation, however, is based purely on personal reasons (as we deem ourselves responsible for our failure in effecting a settlement), and the Peace Conference itself is not to be disturbed by our actions. The Constitutional Government will decide as to the future policy and as to the appointment of our successors. We respectfully submit the fore-going report for your information. (signed) Tong Shao-yi, Chang Shih-chao, Hu Han-ming, Miao Chia-shou, Tseng Yen, Kuo Chun-shen, Liu Kwang-lieh, Wang Po-chun, Peng Yun-yi, Yao Ming-Luen, Li Shih-ying."

893.00/3131

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2748

PEKING, May 17, 1919.

[Received June 19.]

SIR: I have the honor to report that on May 13th a deadlock occurred between the Northern and Southern delegates at the Shanghai peace conference. On this day the Southern delegation formulated its policy under eight articles as follows:<sup>49</sup>

Both delegations sent in their resignations to their respective principals.

The essential issue therefore is whether the old parliament is to be recalled. There are two strong influences arrayed against the old parliament. The Japanese at present desire to validate the various agreements which they made during the last few years . . . and would therefore do everything in their power to defeat the recall of a parliament which would not [*sic*] object to the sanction of these bargains. The Northern military clique, dependent on Japanese support, is entirely committed to the new parliament which it cost them a great deal of money to elect and which they seem to value in proportion. The President having been elected by the new parliament is by that fact estopped from taking any strong action against it; it would moreover not be practicable for him to assert himself strongly in this matter as against the leader of the Anfu

<sup>49</sup>The eight articles contained in the Constitutional Government's Bulletin No. 44 printed *supra* and a summary of that bulletin have been omitted.

Party (the term ANFU stands for "Anhui," the Province of the Militarists, and "Fukien," the Province of the Navy, and designates a combination of the militarists with the pro-Japanese clique of Tsao Ju-lin).

The general principles set forth by the Southern delegation will receive the approval of all fair-minded men, namely, that China cannot be safely governed without the presence of a representative parliament with power to control the acts of officials and to prevent the national rights being bartered away by a narrow clique temporarily sustained by foreign support. It is however questionable whether the proposal to annul the mandate of June, 1917, and to recall the old parliament could receive the active support of the Chinese nation. From a strictly legal point of view the constitutional period of the old parliament having expired it is considered by legal experts to be no longer entitled to function. For this as well as for political reasons it would therefore be difficult to get general approval of the proposition that the time elapsed since the illegal dissolution should not be counted. It must be confessed that the old parliament has not entirely won the respect of the nation and that it enjoys little more credit than the new parliament existing at Peking. Impartial men seem to be agreed that both bodies should be dissolved immediately.

Before the present deadlock arose it was believed that a compromise would be arrived at after certain period of deadlock which was expected. The compromise would take the form of a recall of the old parliament for the purpose of accepting the new election law and of devolving its power to finish the constitution to a constitutional convention representing the provinces; and that therefore both parliaments would be dissolved and a new parliament forthwith elected under the new law. It was believed that a tacit understanding to this effect had been arrived at. But everything was upset by the Paris decision on the Shantung question, which greatly encouraged the military extremists of the North to make them unwilling to listen to any idea of compromise. When the Southern demands were received at Peking a meeting was held at the President's palace at which the Anfu leaders expressed themselves in the most violent terms. They stated that the demands of the South were utterly unacceptable and that in view of such unreasonable attitude no course was open to the government but immediately to recall the Northern delegation and to issue an ultimatum to the Southern provinces demanding their return to allegiance in default of which military forces should be used against them. There is no question that the Anfu leaders are counting upon Japanese support;

they may indeed be looked upon as the representatives of Japanese policy in China.

During the past weeks the efforts of the Northern party to make arrangements with individual military leaders in the South have been making progress. Hopes have been held out of sharing in the proceeds of the reorganization loan to be made. Negotiations with the generals at Canton seem to have been successful. They seem to be ready to arrive at an understanding with the Northern generals. The matter is complicated by the fact that it is not quite clear what General Lu Yung-ting's status will be. The Canton generals are inclined to oppose him, but Lu Yung-ting is an intimate friend of Gen. Chang Hsun, the monarchist leader, and is on good terms with President Hsu, whose friendship with the Manchus is well known. It is not believed that the President is at present countenancing a monarchist movement but he is personally exercising his influence over Lu Yung-ting in favor of an understanding. The support of the old parliament on the part of Southern militarists is therefore weakening and it is possible that the Northern militarists may be able to win over a large part of the Southern generals by a promise of financial gain. This does not apparently include General Tang Chi-yao, the tuchun of Yunnan, who controls the Southern forces in Yunnan, Kweichow and Szechuan and who is an entirely independent viceroy within his realm.

Many suggestions have been made that the foreign powers should come to the rescue of China at this juncture, should suggest the solution and put their authority back of it. This suggestion has come particularly from the people in Central China although it will be most acceptable to all of China if a moderate program were to be put forward and supported in this way.

President Hsu has sent me word that he will not take any other immediate action but will allow people "to blow off steam" for a while in the hope that a feeling of compromise will be engendered and a feasible scheme evolved in discussion; he expressed the hope however that at the favorable time the friendly powers should support by formal advice a program of settlement. The Japanese Minister in conversation with me expressed the opinion that it might be possible for the Foreign Powers to give helpful advice but this should only be done when its acceptance could be made certain. The British Minister does not as yet see any opportunity for such action. The difficulty lies in the fact that the Japanese in view of the many deals they desire to validate will not be in favor of saying anything that will effectually discourage the desire of the Northern militarists to control the situation.

If the Foreign Powers could take action it would help to realize the immediate need of China of having a parliament recognized throughout the country and great service would be done to China and to the cause of representative government here.

I have [etc.]

PAUL S. REINSCH

893.00/3143

*The Consul General at Shanghai (Sammons) to the Minister in China (Reinsch)*<sup>50</sup>

No. 3119

SHANGHAI, May 20, 1919.

SIR: I have the honor to report that the Northern Delegation to the Peace Conference is to leave tomorrow morning for Nanking and Peking, in accordance with the acceptance of their resignation by the Peking authorities.

In this connection, there has been considerable discussion with reference to the possibility of General Li Shun, at Nanking, being called upon to mediate between the North and the South.

On the other hand, however, many Chinese and foreigners feel that the Peace Conference has been a failure, and that, under the circumstances, little may be expected in that direction.

On the whole, foreigners feel that the Chinese have, in a general sense, failed to develop sufficient capacity for the adjustment of their internal troubles: and, in a more specific sense, it is felt that the Northern Military Party, with the backing of the Japanese, is proving too heavy a cross for China to carry. Obviously, therefore, the assistance of the Allied Powers is looked for as a last resort.

I have [etc.]

THOMAS SAMMONS

893.00/3110: Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, May 22, 1919, 6 p.m.

[Received 9 p.m.]

While the Peace Conference still remains in adjournment negotiations are going on between representatives of Northern parties and the Southern military leaders.

Opinion inclines to expect some compromise between them as a result of which the Shanghai Conference may resume, though with a considerable weakening of the Parliamentary party in the end.

I have consulted with colleagues concerning possible statement by the five powers at this time. Opinion inclines to consider useful a

<sup>50</sup> Copy forwarded to the Department by the Consul General under covering letter of same date; received June 21.



statement to the effect that the representatives view with great concern the delay in the settlement of internal difficulties caused by the adjournment of the Peace Conference, desire to inquire what exertions are being made to accelerate an understanding, and express the expectation that a reversion to military action will be scrupulously avoided by both sides. The five representatives will meet on May 6th [26th], and will probably agree in a friendly statement as above in the belief that the moderate leaders on both sides will thereby be [encouraged] to resume and finish negotiations. Authorization is requested.<sup>51</sup>

REINSCH

893.00/3177

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2787

PEKING, June 3, 1919.

[Received July 22.]

SIR: I have the honor to enclose a copy of the text of the memorandum on the settlement of internal difficulties in China as adopted by the representatives of Great Britain, France, Italy, Japan, and the United States on May 28th. The memorandum will be delivered to the President by the British Minister in behalf of the five representatives of whom he is the senior. On the same day the memorandum will be delivered to the authorities at Canton by the senior Consul there. (June 5th.)

While the Ministers in taking this action are not very sanguine as to important results to be attained, nevertheless it seemed that the action would result in encouragement to those men, North and South, who are earnestly exerting themselves to bridge over the existing difficulties and that the definite statement in opposition to the resumption of military action would, at any rate, have a re-assuring effect.

I have [etc.]

PAUL S. REINSCH

[Enclosure]

*Memorandum Adopted by the Representatives of Great Britain, France, Japan, Italy, and the United States for Presentation to the President of China and the Authorities at Canton*

[PEKING,] May 28, 1919.<sup>52</sup>

The representatives of Great Britain, France, Japan, Italy, and the United States viewing with deep concern the delay in the settlement of internal difficulties in China due to the adjournment of the

<sup>51</sup> The Acting Secretary of State replied, in a telegram of May 24, 7 p.m., "Department approves."

<sup>52</sup> Presented June 5.

Shanghai Peace Conference, desire to express the hope that the conference may be reconvoed and negotiations brought to a successful close at the earliest possible date. Since the aims of both parties have now been stated, it ought to be possible without further delay to find a solution just to all and in the common interest of the country and the Chinese people. Meanwhile the representatives of the Powers trust that neither party will, in any way, sanction a resumption of military measures.

In making this statement the representatives of the Powers desire to assure the Chinese authorities and people of the continued good will and friendly interest of their Governments and nations who will welcome with the greatest satisfaction the restoration of union and concord throughout China with her Government in the full exercise of its powers organized to promote the general welfare of the people.

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893.00/3178

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2798

PEKING, June 7, 1919.

[Received July 22.]

SIR: In connection with my despatch No. 2781 [2787] of June 3rd, I have the honor to enclose a copy of a circular sent by the British Minister to the Colleagues who joined him in the memorandum presented to the President on June 5th.

It is reported to me that on June 6, a meeting of the Cabinet Ministers and other high officials was held and it was decided to ask Mr. Chu Chi-chen to return to Shanghai in order to take up with Mr. Tang Shao-yi, conversations for the resumption of the Peace Conference. Another report is not so reassuring; namely that in case of the refusal of Mr. Chu Chi-chen to resume his post, Mr. Wang Yi-tang, speaker of the House of Representatives and Chief of the Anfu political club, will be appointed chief delegate. It is feared that should the Anfu club impose itself upon the Government in this way, the Peace Conference would be seriously discredited. The definite statement in the note discountenancing further military action has given considerable satisfaction to the liberal elements. Most people seem to believe that more decisive action on the part of the Powers will be necessary to effect a reorganization but they welcome the note as an evidence of the continued interest of the Powers.

There is also herewith enclosed a copy of the Dean's circular reporting on the presentation of the memorandum at Canton; <sup>53</sup> as

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<sup>53</sup> Not printed.

well as a Reuter telegram on the same matter and one citing an editorial from the *Canton Times*.<sup>52</sup> Substance of the latter is as follows:

“ If the Powers desire to show their goodwill and friendly interest, then they should deal justly with China, restore Kiaochow and the former German interests in Shantung to China and withdraw recognition and support from traitors and corrupt militarists who have prospered and waxed great because of the assistance they have received through foreign recognition. They should show sympathy for the cause of democracy and help the people to realise their legitimate aspirations.”

I have [etc.]

PAUL S. REINSCH

[Enclosure]

*Report by the British Minister of an Audience with the President of China*

[PEKING,] June 5, 1919.

Sir John Jordan read to the President a memorandum on the subject of the cessation of the Shanghai Peace Conference, expressing the views of himself and the Ministers for France, Italy, the United States and Japan.

The President said that he appreciated the friendliness to China conveyed by the terms of the memorandum. As regards a renewal of hostilities between North and South, this was absolutely impossible. All sections on both sides were determined that it should not take place. Although formal meetings of the Representatives were no longer taking place, the subordinate representatives on both sides were still in touch with one another. The eight demands recently presented by the South, which led to the interruption of those meetings, came as a bombshell to the leaders of all parties. Southern representatives at Shanghai had, since the date on which they were presented, admitted informally that the first three demands, affecting as they did foreign relations, ought not to have been brought up at a Conference which was only intended to settle matters in dispute between North and South. The eighth demand had been since withdrawn; only yesterday a telegram had been received from Lu Jung-t'ing addressed to “ President Hsu and the Cabinet ” instead of being addressed to himself and Cabinet members in their private capacity.

The President said that the one outstanding difficulty was the “ legal difficulty ”: i.e. the question whether the present Peking Parliament, the Canton “ Rump ” or a newly elected Assembly shall decide upon the future Constitution of China.

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<sup>52</sup> Not printed.

He also mentioned that in a day or two a couple of subordinate negotiators would be sent by him to Shanghai with a view to the re-opening of negotiations.

The President said that he felt confident that agreement between the two parties would be reached at Shanghai, this resulting in the re-unification of China, which had been his aim since assuming office last September.

Asked by Sir John Jordan whether a remark just made by the President might be held to convey the idea that the difficulties between North and South might be settled directly by negotiations between Peking and the individual Southern leaders, the President said it was not a case of his seeking to make an arrangement with them but of their appealing to him. In any case, he said, a definite settlement might be facilitated in this way but it could only be consummated by a formal agreement between authorized representatives at Shanghai.

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893.00/3162

*The Consul at Canton (Pontius) to the Minister in China  
(Reinsch)*<sup>53</sup>

No. 130

CANTON, June 7, 1919.

SIR: In continuation of my No. 128, dated June 6, 1919<sup>54</sup> (File No. 800) reporting the presentation on behalf of the diplomatic representatives in China of Great Britain, France, Italy, Japan and the United States, to the Administrative Council of the Military Government by the Senior Consul at Canton of a second *aide memoire*, relative to the adjournment of the Shanghai Peace Conference and expressing the hope that the conference would be reconvoed and the peace negotiations brought to a successful close, I have the honor to quote hereunder the reply of the Military Government through Dr. Wu Ting-fang to the memorandum presented:

"The Military Government cordially shares with the Allied Ministers in the hope that the Shanghai Peace Conference now unfortunately broken up may be reconvoed and negotiations brought to a successful close at the earliest possible date. The Military Government would however point out the fact that this Government has not accepted the resignations of its delegates but has instructed them to remain at Shanghai waiting for the resumption of negotiations. But the Peking Government has already accepted the resignations of its delegates who have left Shanghai so the Conference cannot at present be resumed.

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<sup>53</sup> Copy forwarded to the Department by the Consul under covering letter of same date; received July 9.

<sup>54</sup> Not printed; for text of memorandum to the Administrative Council, see p. 354.

“The object of this Government in appointing delegates is to secure permanent peace based upon democratic principles irrespective of party interests for the welfare of the nation and if the Peking Government should be really sincere in its wish for the restoration of peace and not dominated by the militarists, peace negotiations it is hoped can be brought to a successful close at an early date.”

In this connection it will be interesting to quote from an editorial in the *Canton Times* of to-day's issue in connection with this particular matter as the article no doubt expresses the opinion of many educated Cantonese. The editor contends that if the memorandum can prevent the Militarists from carrying out their bellicose threats, then there may be some hope of settlement, but the south is not optimistic about it. Continuing the editor says

“The Memorandum states:—‘Since the aims of both parties have now been stated it ought to be possible without further delay to find a solution just to all and in the common interest of the country and the Chinese people.’ Just what are the aims of Peking? Are they consistent with ‘a solution just to all?’ The only aims we know of are the subjugation of the Southwest; the violation of the Provincial [*Provisional*] Constitution; and the abolition of the legally elected Parliament. Perhaps the Five Associated Powers see some concord between the aims of the Constitutionalists and the aims of the Militarists. We confess, we do not see the slightest possible agreement between them. It is true, the Northern Delegates and the Southern Delegates are agreed on many issues, but the Peking Government repudiated everything that was proposed by its delegates.

“The last paragraph, taken in conjunction with, and viewed in light of the ‘logic of inexorable events’ is almost farcical. The note reads ‘In making this statement the Representatives of the Powers desire to assure the Chinese people and authorities of the continued goodwill and friendly interest of their Governments and nations.’ Just consider, for a moment, that Japan happens to be one of the Five Associated Powers. The Chinese people may be gullible, but they are not going to swallow such an assurance ‘goodwill and friendly interest,’ while one of the powers who give this assurance, has so openly manifested her ambitious designs against China, and the other Powers have rendered a decision contrary to common justice. It is rather unfortunate that a memorandum should be presented to China at this time. We consider it a diplomatic blunder. If the Powers desire to show their ‘goodwill and friendly interest’ then they should deal justly with China, restore Kiaochow and [Germany's] Shantung interests to China; withdraw recognition and support from the traitors, and corrupt Militarists who have prospered and waxed great because of the assistance they received through foreign recognition. [They should] Show some sympathy for the cause of democracy, and help the people to realize their legitimate aspirations.”

I have [etc.]

ALBERT W. PONTIUS

Report on Political and Economic Conditions for the Quarter Ending  
June 30, 1919

893.00/3235

*The Minister in China (Reinsch) to the Secretary of State*

[Extract]

No. 3001

PEKING, *September 10, 1919.*

[*Received October 13.*]

SIR: I have the honor to enclose a review of conditions in China during the quarter ended June 30th, compiled in response to standing instructions.

I. POLITICAL INFORMATION

A. DOMESTIC

(1) *Observations and developments.*

The important domestic political developments of the quarter were to such an extent interwoven with matters of foreign policy that it is not easy to deal with them apart from a general discussion of Chinese foreign affairs. The Domestic Peace Conference which had been adjourned on February 28th following the resignation of the Northern Delegation and the presentation of an ultimatum by the Southern Delegation, was finally reconvened on April 9th [7th]. The difficulty in regard to the province of Shensi, which was the chief cause of the earlier dissolution of the conference, had been dealt with by the appointment of a neutral demarcation commissioner to determine the territorial position of the Northern and Southern armies in that province, in the hope of removing further friction on this score. The labors of the demarcation commissioner were not entirely satisfactory to either the Northern or Southern governments and there continued to be mutual charges of a violation of the armistice even after the conference had reconvened. The actual position of the affairs in Shensi appears to have been that there were irregular forces on both sides practically indistinguishable from bandits who continued operations and consequently from time to time precipitated counter movements. The Shanghai Conference remained sitting until May 15th. While it is presumed that some progress was made in regard to problems of reconstruction, more particularly the disbandment of troops, during this second session of the conference there was a marked pessimism displayed in both the North and the South as to its ability to solve the questions before it.

As a result of questions of foreign policy to be dealt with later during late April and May the Northern government came almost

entirely under the control of the Anfu party, an organization dominated by the Peking militarists and closely associated with Japanese influence. ("Anfu," a combination of Anhwei, the province of the militarists, and Fukien, the province of the naval people.) It was well known both in Peking and in the South that the Anfu party was opposed to a peace made by the conference: the Anfu leaders themselves still appeared to favor a peace achieved by the forcible suppression of the Military Government at Canton, although in the light of subsequent events it may be doubted whether their aims went further than to prevent a peace negotiated on the Northern side by a delegation which they considered did not adequately represent the military party. In any case the Southern delegation appeared finally to come to the conclusion that the Peking Government—by which is meant the cabinet rather than the President—was determined to make it impossible for the conference to adopt a compromise settlement, and presumably actuated by this motive and supported by the popular wave of indignation against the pro-Japanese elements in the government consequent on the publication of the terms of the Shantung settlement, the Southern delegation on May 13th presented a series of eight demands. These covered the abrogation of all secret agreements entered into between China and Japan during the war, the disbandment of the troops of the War Participation Bureau and Northwest Defense Bureau, the two leading military organizations under the direct control of the Peking military party, the refusal to accept the Shantung settlement proposed by the Paris Conference, and the recognition of the Southern Parliament as the legal parliament of China. The demands made a great concession in offering to recognize President Hsu as the *de facto* President of China. As the acceptance of these demands would have amounted to the complete overthrow of the then existing Peking government, it is obvious that the Southern delegation had no expectation that they would be accepted or even seriously considered. The immediate result of their presentation was the suspension of the conference and the resignation of both Northern and Southern delegations. The conference did not again meet during the quarter.

The second suspension of the conference sittings marked the final failure of the President's peace program, and the triumph in Peking of the pro-Japanese military party. While the Southern government at Canton failed to show any sincere desire to accept a compromise settlement, there can be no doubt that the main responsibility for the failure of the conference rests on the Northern military party.

Mention has been made above of the Anfu Club or party, and as this group came to dominate Peking politics during the quarter under review it may be interesting to note the inception and composition of this club. The origin of this club may be traced back to the elections for the present Peking parliament which took place some eighteen months ago. At that time Mr. Tsao Ju-lin was Minister of Finance and Mr. Wu Ting-ch'ang was Vice Minister. Gen. Hsu Shu Cheng was then second in command of the Fengtien troops, and received from the Ministry of Finance through the collusion of the Minister of Finance the sum of \$10,000,000 ostensibly for the payment of these troops. It is alleged that this sum was spent in manipulating the elections for the new parliament. Thus, when the new parliament came into being there was a large group of members under obligation to General Hsu Shu-cheng and his coterie. Mr. Wang Yi Tang was the most prominent of the parliamentarians affiliated with Gen. Hsu, and his residence in the Anfu Street became the meeting place for this group of parliamentarians; hence the name Anfu Club. The club undertakes the payment of from \$300 to \$800 per month to any member of parliament who will record his name as a member; nominally at least no party lines are drawn in regard to applicants for membership. The principal members of the parliament who are members of the club are Mr. Li Shen-to, President of the Senate, Mr. Wang Yi-tang, Speaker of the House, and the chief secretaries of the Senate and the House. In the cabinet Mr. Kung Hsin Chang, Minister of Finance and acting Premier, is at least nominally a member of the Anfu club although he is not on particularly intimate terms with some of the Anfu leaders. Mr. Chu Shen, Minister of Justice, is a prominent member of this club, as are also Mr. Tseng, Vice Minister of Communications, and Mr. Li Shih-hao, Vice Minister of Finance. Other prominent personages closely identified with the club are Mr. Tsao Ju-lin, lately Minister of Communications, Mr. Lu Tseng-yu of the Currency Bureau, Gen. Wu Ping-hsiang, chief of the Metropolitan *Gendarmerie*, Mr. Chang Hu, formerly Vice Minister of Finance and director of the Salt Gabelle, and a great number of prominent military officers. Gen. Tuan Chi Jui, ex-Premier, although he has been repeatedly urged to place himself at the head of the Anfu club, has always refused to have any formal connection with it. The whole organization is under the immediate control of Gen. Hsu Shu-cheng, who is the recognized leader of the military party in Peking. Through Mr. Tsao Ju-lin and certain of his intimates the club has maintained close relations with the Japanese, who, as the Department is aware, have provided the necessary funds to enable the Northern military party to retain its hold over the government. Actually the Anfu Club has



constituted the government, in the English sense, since the latter part of April. There has been no organized opposition to the Anfu Club in Peking, although the President and his following, which has but little representation in the cabinet or in parliament, is strongly opposed to most of the policies of this party. During the early part of the year before the Shantung settlement was made and when it was confidently expected in China that the Paris Conference would decide this controversy in favor of China, the President who was commonly reported to be receiving the support of the American and British Legations, yielded [*wielded?*] a very considerable influence and was able in fact to force certain matters despite the opposition of the Anfu party. The most notable of these successes was the calling of the internal peace conference and the appointment of Mr. Chu Chi Chien, a personal friend of the President's and an opponent of the Anfu club, to be the chief Northern delegate. Immediately the fact became known that the Paris Conference had endorsed Japan's claims, the Anfu Club which as has been noted represents that element in Chinese politics which favors an understanding with Japan, rose to the power which it still enjoys.

As has been noted the Anfu club is under the direct control of Gen. Hsu Shu-cheng; as the club now controls Chinese policy to a large extent, the personal views and influence of Gen. Hsu are worthy of some consideration. He is commonly credited with being openly pro-Japanese. This however I venture to doubt. It is believed to be the case rather that Gen. Hsu has formed his Japanese alliance of political necessity as he feels dependent on Japanese financial and political support to enable him to maintain his position. Did he feel that American, British, or other foreign support would accomplish the same end I am inclined to believe that he would prefer it to the Japanese assistance which he now enjoys. He is an able and intelligent man, active, forceful and unscrupulous in his methods, and it is not conceivable that he does not realize the danger to China as well as to his own political future of depending on a nation whose policies in China are equally unpopular both at home and abroad. Unfortunately however Gen. Hsu's domestic policies stand for all to which America objects, the domination of the government by military force and the perpetuation in the provinces of an obnoxious tuchun system. In view of Gen. Hsu's active and enterprising mind this is a matter of real regret.

It will be recalled that the National Defense Bureau and the armies organized thereunder were one of the chief grounds of complaint made by the South which rightly regarded these forces raised nominally for national defense to be but the instrument for enforcing the will of the military party. The abolition of these forces

has been a constant demand of the South. In view of the approach of peace, whereupon the anomaly of a special national defense force would become apparent, the Northern military party created a new bureau which was to take the place of the National Defense Bureau, the name and nominal object of the bureau doubtless being suggested to the ever-alert Gen. Hsu by the greatly exaggerated reports of the Bolshevik menace to Mongolia and the designs of Ataman Semeonoff against that country. Gen. Hsu is the active head of this new bureau and of the troops, numbering between 7,500 and 10,000, under its orders. During the quarter there was a persistent rumor that the bureau was about to despatch a force to Urga. Actually troop movements did not begin until the following quarter. All reports from Urga agree that there is no necessity whatever for the despatch of Chinese troops there at present, as Mongolia is perfectly peaceful,—indeed is in marked contrast with the chaotic conditions obtaining in China. From a number of conversations with Gen. Hsu it appears that he has in mind a very large scheme for the settlement and development of Mongolia, and it is no doubt in furtherance of this plan that he has sought the occasion of the Bolshevik and Semeonoff movements to justify his entrance into Mongolia. In connection with Gen. Hsu's Mongolian plans he has already taken steps to form a bank, the lack of adequate banking facilities being one of the principal handicaps to commerce or industrial development in Mongolia. The General plans to build trunk roads for use by motor transport, to build stations on these roads supplied with artesian wells, to establish model farms in the neighborhood of such stations and generally to facilitate the development of Inner Mongolia by Chinese settlers. He realizes however the prime importance of maintaining friendly relations with the Mongols, and according to his own statements has been unexpectedly successful in doing so. Ultimately the General plans to build an extension of the Kalgan railway to Urga and to Chinese Turkestan, although he realizes that these are developments of the distant future. The success of Gen. Hsu's Mongolian schemes will be watched with much interest.

There were two Cabinet changes during the quarter. Mr. Tsao Ju-lin, Minister of Communications, resigned his post during May, as a result partly of the "loss of face" occasioned by the attack on his residence by students, and partly of his extreme unpopularity throughout the country. No successor to Mr. Tsao was appointed during the quarter and as a matter of fact he continued to direct the policy of the Ministry of Communications through the Vice Minister, Mr. Tseng, who became Acting Minister on his resignation.

On June 13th Mr. Chien Neng-hsun, the Premier, resigned his post. It is believed that his resignation was occasioned directly by

the untenability of his position as a result of the continued opposition of the Anfu party. Alone of the cabinet Mr. Chien was recognized to be a supporter of the President. He shared responsibility with the President for the convocation of the Domestic Peace Conference and the selection of Chu Chi-chien as Chief Delegate. The breakdown of the Conference in May as already remarked marked the breakdown of the peace policy pursued by the President and Premier and no doubt was one of the elements responsible for Mr. Chien's resignation. Further he had been made the subject of a bitter attack in Parliament by the Anfu Club during April. This latter party endeavored also to throw the responsibility for the decision as to the signature or non-signature of the German peace treaty on the Premier. Faced with difficulties at home—the unrest and anti-Japanese boycott resulting from the student activities to be discussed below—and abroad, and without any organized support in either the Cabinet or Parliament, Mr. Chien's resignation surprised no one. While an amiable gentleman, Mr. Chien displayed little force of character or statesmanship during his tenure of office. The nomination of a successor to the Premiership became the occasion for a display of strength by the Anfu Club, which stated its intention to refuse Parliamentary ratification to the appointment of any but an Anfu premier. The President, and ex-Premier Tuan Chi-jui, titular head of the Military Party, agreed on Mr. Chou Shu-mu for the post but had to abandon his nomination in the face of the opposition mentioned. The Anfu Club were unable to suggest any suitable candidate, bringing forward such names as Governor Ni Ssu-chung of Anhui, a pronounced reactionary and of the most objectionable Tuchun type, Mr. Chu Shen, the youthful and inexperienced Minister of Justice, and other prominent party men, none of whom would the President consent to nominate. Ultimately Mr. Kung Hsin-chang, Minister of Finance, who had consented to take the post of Acting Premier for ten days, agreed to continue to function as such pending the appointment of a substantive premier.

(2) *Attitude toward the peace conference.*

At the beginning of the quarter as a result of a very general discussion in the press consequent on the reports received in China of the presentation to the peace conference of China's claims and position in relation to Shantung the belief had become general throughout the country that the conference was disposed to regard China's representations favorably and would no doubt make its decision in regard to Shantung in harmony therewith. This belief in many circles amounted to conviction. The first reports to reach China of the de-

cision of the conference to embody Japanese pretensions in regard to Shantung in the peace treaty therefore were received with incredulity. Later when these first reports were fully substantiated by official messages a storm of popular indignation swept over the country which is without parallel since the days of foreign intercourse with China. Missions of the friendly powers were deluged with petitions, resolutions and proposals from every conceivable source. The students early assumed the leading role in organizing the opposition throughout the country. It should be noted that there was no popular condemnation of the United States and but little of England and France, the wrath of the country being directed first against those Chinese officials who were responsible for the secret agreements with Japan on which the Paris conference appeared to have acted, and secondarily against Japan on account of its predatory policy in China.

The first incident to attract general attention was an attack on the residence of Mr. Tsao Ju-lin, Minister of Communications and leader of the pro-Japanese party, by a mob of students. The student organizations in Peking had decided on a demonstration and marched through the streets in an orderly way with the object of calling at the several allied Legations and presenting to each a petition. They were prevented from entering the Legation quarter by the Metropolitan police; consequently being unable to accomplish their original purpose they decided to make a demonstration in front of the residence of Mr. Tsao. Upon arrival there the orderly procession had degenerated into a mob of irresponsible and highly excited young men. Mr. Tsao's gateway was forced and fire set to his residence. Fortunately he himself was not at home, but the students discovered in his waiting room Mr. Chang, ex-Minister to Japan, who had actually signed two of the most obnoxious of the secret agreements between China and Japan. Mr. Chang was accompanied by a Japanese. The Japanese was permitted to leave unharmed but Mr. Chang was beaten until he became insensible and was left for dead. Fortunately he recovered ultimately. No very drastic action was taken by the authorities in relation to this incident, and the activities of the students continued to flourish. A very effective propaganda appears to have been organized as the movement spread rapidly to all parts of the country. The object of the campaign at first was limited to the removal from office of the "national traitors" Tsao Ju-lin, Lu Tsung-yu, who had been closely associated with Mr. Tsao, and Mr. Chang, ex-Minister to Japan. This object was accomplished, but in the meantime the movement had assumed a distinctly anti-Japanese character and resulted in a boycott of Japanese goods, which even now (September) remains more or less in force. The

mobilization of an active public opinion, definite in its aims, was a new development in Chinese political life.

In general the boycott appears to have been conducted in an orderly manner without personal violence to Japanese, despite occasional cases of provocative action on the part of individual Japanese. In Canton, however, during the early phases of the movement a few Japanese were attacked and injured, and in Shanghai a very critical situation arose. The Municipal Council, actuated by a desire to maintain order in the settlement, undertook to prohibit all outward manifestations of this national movement. Locally this tended to produce an anti-foreign sentiment, which was only prevented from assuming active form by the good sense and restraining influence of the leaders of the student movement who realized that it would be fatal to their cause to alienate the sympathy generally felt for them by well-informed foreign opinion throughout the country. A regrettable incident occurred in connection with efforts of the police to prevent a demonstrating procession from entering the settlement. The police were not in force at the point at which entry was sought and the endeavors of one or two constables to turn the procession resulted in an attack on the police, who firing in self-defense killed one Chinese and wounded one or two others. There also became prevalent in Shanghai a rumor that the Japanese were poisoning wells. While there is no ground whatever for the belief that such actually was the case, it appears to be established that for some unknown reason there were many cases of Japanese publicly sprinkling harmless white powder over foodstuffs exposed for sale. There were several instances of attacks by ignorant Chinese on supposed Japanese, who generally proved to be Chinese from other parts of the country. One Chinese died as the result of such an attack. Ultimately normal conditions were restored.

During the latter part of the quarter the boycott was very strictly enforced and included a refusal to ship goods or to take passage by Japanese steamers. Along the Southern coast in particular it appears that the boycott was well organized, the chambers of commerce as well as the student bodies taking an active part in the direction of affairs. Fines were imposed in numerous cases on Chinese dealing in Japanese goods. On the Yangtze the merchant bodies do not appear to have taken any prominent part in the movement. It is impossible to estimate accurately the amount of the damage suffered by Japanese trade in consequence of the boycott, but from both Japanese and Chinese statements it is certain that it was very large. Some estimates stated that Japanese trade was reduced by seventy per cent during the period in question.

The government appeared to have been taken by surprise by the action of the peace conference and had not formulated any policy to meet the situation created. The first inclination was to sign the treaty with reservations if possible but if not to sign it in any case. It is believed that instructions in this sense actually were sent to the Chinese delegates. The government as usually [*sic*] continually vacillated, and followed this first instruction by a second instruction practically leaving China's course of action to the discretion of the Chinese delegation. In view of public opinion in China and of the bitter popular attacks on those officials responsible for the Sino-Japanese agreements, the delegation naturally was unwilling to accept the responsibility of signing the treaty without reservations as this would have meant the termination of the official career of every man concerned, and the possibility of physical violence on a return to China. When it became clear that the delegation would not accept the responsibility of signing, the President is reported to have sent instructions to the delegation not to sign the treaty. Different sources, both of which should have been well-informed and reliable, disagree completely on this point, as the Legation was informed positively that such an instruction had been sent and equally positively that no such instruction had been sent. In any event it is believed that the Chinese delegation would not have signed for the reasons indicated above even if instructed to do so. There is no doubt that the final decision not to sign received popular approval throughout the country. In this connection it is curious to note that for five days after it was known that the peace treaty had been signed no word was received in China as to whether or not the Chinese delegation had signed. The first news of China's refusal was contained in an intercepted wireless message published in Peking in a French paper.

China's position in relation to Shantung has been the subject of so many telegrams and special reports that it will be sufficient to indicate it very briefly here. In the first place China holds that the agreements entered into between China and Japan during the war were extorted from China by threats of force and that consequently they are not entitled to recognition as binding acts. In the second place it is held that the settlement embodied in the peace treaty actually gives to Japan far greater rights in Shantung than ever were enjoyed by Germany, in other words that Japan instead of merely succeeding to German rights in Shantung has been granted certain privileges and rights at the direct expense of China, and that the return of Kiaochau provided for by the treaty is entirely valueless, the abstract question of sovereignty never actually having been in question as China had never relinquished sovereignty

over the leased territory. Instead of a limited leasehold, Japan would have a permanent settlement together with control of the port terminal facilities and railway.

At the conclusion of the quarter the Chinese Government had not yet come to any decision as to the next step to be taken in regard to peace with Germany. There appeared to be some vaguely formulated idea of giving Chinese adherence to the League of Nations by acceptance and signature of the treaty with Austria, and thereafter bringing before the League the question of the violation of China's rights by Japan in Shantung. Generally speaking, however, it would appear that a policy of inactivity is still being pursued.

#### B. FOREIGN

##### (1) *Relations with foreign countries.*

In discussing China's attitude toward the peace conference, occasion has already been had to refer to Sino-Japanese relations in some detail. It will have been noted (1) that the government in Peking, by which is meant the group controlling the cabinet, and the Anfu club, was on the whole well disposed toward Japan or at least ready to do business with Japan in default of any one else who would, and was in receipt of support from Japan, and (2) that a bitterly anti-Japanese spirit was aroused in the country at large by the proposed Shantung settlement. There remains but little to add in regard to Sino-Japanese relations. From Shantung comes a constant stream of complaints from Chinese of the arbitrary and overbearing action of the Japanese military authorities there. Chinese have been arrested repeatedly while on railway property by Japanese railway police either for being in possession of Chinese nationalistic literature—which it may be explained is generally inferentially if not specifically anti-Japanese—or on suspicion of being concerned in anti-Japanese demonstrations. A number of these arrests have been brought to the attention of the Legation in detail owing to the connection of the arrested persons with Christian churches in Shantung. The action of the Japanese residents in Shantung in passing a series of resolutions calling for a further display of the "mailed fist" policy in China has not tended to improve the feeling between the two countries. It is curious to note from the Japanese press and from other reports reaching China that the Japanese generally attribute their unpopularity in China to propaganda on the part of Americans and British, particularly the former. While it would be flattering to believe that the American residents in China were able to influence public opinion to this extent, as a matter of fact the anti-Japanese feeling now manifested

in China is a direct result of the overbearing and arrogant attitude of the Japanese government and authorities in all parts of the country.

(2) *Attitude toward America and Americans.*

American prestige, which stood very high during the first quarter of the year, declined during the quarter under review particularly among Peking politicians. Among the people, the attitude of Americans toward the national movement and the refusal of the Legation to allow them to be drawn into action [*active*] opposition to it, caused great credit to be given. The pessimistic found in the triumph of Japanese diplomacy at Paris ample substantiation for their forecasts that the policy outlined by the United States during the preceding year would not receive sufficient support to become effective. Failing a reconsideration of the Shantung settlement, the one remaining chance rapidly to rehabilitate America in Chinese eyes is to put through the much-discussed consortium scheme without further delay. If the Japanese succeed in wrecking the consortium project and if the United States does not thereupon afford active financial assistance itself in China, the position which the United States has been building up for the past few years as a Power actively interested in China will be lost and she will again be relegated by popular opinion to the position of a benevolent but impotent spectator.

There still exists a preference for American financial assistance and cooperation, a number of concrete instances of which will be mentioned under the appropriate headings below.

It is believed that the great majority of the cabinet officers are personally well disposed toward the United States and would be glad to seek American assistance in preference to Japanese, but that they have no faith in the intention of America to afford active assistance to China. In point of fact the Peking government would have to be reorganized before it could be considered to be entitled to support by the United States.

### C. PROPAGANDA

(1) *Enemy propaganda.*

As noted in the last quarterly report, all enemy propaganda has now ceased.

From confidential sources the Legation learns that an arrangement was made sometime ago between the authorities in Hongkong in charge of the British propaganda work there and the Chinese Postal Administration whereby Allied propaganda matter franked through the Hongkong Post Office is accepted for free distribution



by the Chinese Post Office. It appears that the British publicity committee plans to make use of this privilege to circulate to Chinese firms British trade propaganda matter. In order that American interests may benefit by the same arrangement the Legation has approached the Chinese postal authorities with a request that a similar privilege be accorded Allied propaganda matter franked through the American post office at Shanghai. It is believed that the Legation's request will be granted. The postal authorities state however that all such privileges presumably will cease so soon as China formally makes peace with Germany and Austria.

(2) *Anti-American propaganda.*

The violence of the anti-American propaganda appearing in the Japanese-owned or controlled Chinese press noted in previous reports has continued unabated. From consular reports received there appears to be ground for the belief that in certain places at least this anti-American Japanese press campaign is carried on with the full approval, if not under the direction, of the Japanese consular authorities concerned. In Amoy and Foochow particularly this appears to be the case. It is of course impossible to secure proof sufficiently detailed to justify representations to the Japanese authorities. As has been noted heretofore, this anti-American propaganda is so extremely violent as practically to defeat its own ends.

There has also become increasingly evident an anti-British propaganda carried on in the same papers, directed principally against British policy in Tibet. Great Britain is charged with a desire to annex parts of Szechuan and Sinkiang.

During May there was offered to the Legation for purchase a photograph of the rough draft of a pamphlet charging the American Minister, amongst other things, with having misappropriated the proceeds of the United War Work campaign and having devoted them to the financing of the recent student movement. It is stated and is probably true that thousands of copies of this pamphlet were distributed throughout the country. It was claimed that the original draft was in the handwriting of Mr. Tsao Ju-lin, ex-Minister of Communications. The Legation submitted the photograph to a number of competent judges, who, however, were unable to agree as to whether or not the writing actually was that of Mr. Tsao. It seemed to be generally conceded that the document undoubtedly originated from the pen of some member of the New Communications clique, as the style [of the] composition was closely modeled on that of Mr. Tsao, if it was not actually his own. In view of the inability definitely to establish the authorship from the handwriting nothing was done in regard to this matter.

A particularly objectionable piece of anti-American propaganda appeared in the *Tsinan Jih Pao* on May 17th in the form of a violent and scurrilous personal attack on President Wilson. The text of the article may be found in the first sentence, "Mr. Wilson the American President is a boaster and a hypocrite." While the Legation has not found it politic as a rule to take any notice of the inspired Japanese press attacks on Americans and the United States it seemed that this article, which in most cases would have laid the editor open to a charge of criminal libel, was too insulting to be passed over, and it was therefore brought to the attention of the Japanese Minister. As a result of the exchange of a number of notes the editor of the paper was severely "admonished" and about a month later published a statement withdrawing the leading article of which complaint was made. The Japanese Minister in discussing the case stated that there was no provision in the Japanese penal code which made a personal attack on the head of a foreign state the basis of an action for criminal libel unless the head of the foreign state happened to be on Japanese soil at the time. Mr. Obata in his turn complained of the activities of the Chung Mei News Agency, an American-owned concern. A careful investigation by the Legation failed to disclose any libelous attacks on Japan or things Japanese, although certain articles sent out by the agency, which in fact were written by a Chinese employee afterwards discharged, were found to be couched in the strong language which at the time characterized Chinese expressions of opinion regarding Japanese policy in Shantung. In the course of the correspondence with the Japanese Minister occasion was also had to refer to a series of libelous articles purporting to be telegrams from Tokyo accusing the American troops in Vladivostok of being highway robbers, of being exclusively interested in the leading of lewd and dissolute lives, etc. While the Japanese press in China continues to be extremely abusive of things American, the official complaints on these two occasions appear to have discouraged the Japanese Foreign Office from making further complaints to the Embassy in Tokyo in regard to the unfriendly attitude of American papers and news agencies in China toward Japan.

While not directly related to propaganda, in this connection may be mentioned a further incident involving Japanese-American relations in China. Mr. S. W. Glass, an American citizen, on April 15th arrived at the Chinese town of Paimencheng (Manchuria) by train. He was walking from the station to the town accompanied by his interpreter when overtaken by two mounted Japanese officers preceded by a private on foot. The Japanese private struck Mr. Glass' interpreter—according to the Japanese version pushed him from the

road—and then ordered Mr. Glass aside. Mr. Glass paid no attention, whereupon he was seized by the arm by the soldier, who attempted to force him to one side. Mr. Glass thereupon struck the soldier in the face and a fight ensued. The fight was stopped by one of the officers who dismounted, and on its conclusion Mr. Glass, according to his own statement, was arrested and taken to the Japanese police station, being subjected to an assault while *en route*. He was held at the police station for some hours, was then released, and was subsequently rearrested and taken to the Japanese soldiers' barracks. He was again released and the following morning learning that the Japanese were about to effect his arrest again he left Paimencheng by train. While the matter was not settled during the quarter under review, it should be mentioned here for the sake of clarity that the Japanese deny effecting any arrest, but stated that Mr. Glass was requested to accompany them. The incident which originated this affair was in itself trivial and one in which Mr. Glass was not without blame. Inasmuch however as the town of Paimencheng is not within the Japanese railway zone it is clear that the Japanese had no shadow of right to effect the arrest of an American citizen. This the Japanese admit inferentially by the statement that he was not arrested. The settlement of this case will be reported under the events of the ensuing quarter.

## II. ECONOMIC INFORMATION

### A. ACTUAL ECONOMIC CONDITIONS

Economic conditions throughout a large part of the country remained most unsatisfactory due to the causes noted in previous reports, namely, the disturbed condition of the country as a result of the civil war and the increase in brigandage consequent upon the loosening of governmental control. In Fukien in particular conditions appear to have gone from bad to worse. The capture and looting of villages by bandits or by the people's army, a semi-independent bandit force allied with the Southern government, continue to be matters of common occurrence. In a number of cases foreign mission property has been attacked. Fortunately there were no attacks on Americans during the quarter under review. In Shensi and Hunan similar conditions exist.

On April 17th the Foreign Office addressed identic notes to the various missions in Peking stating that, the Anglo-Chinese Opium Agreement having expired, the importation of any opium whatever thenceforth was prohibited. In acknowledging the receipt of this communication the several missions took occasion to call the atten-

tion of the government to the continued cultivation of opium in the interior of China. In particular the province of Shensi was pointed out as a flagrant example of retrogression from the standard of the complete prohibition of opium culture. That opium cultivation is being carried on extensively over a large part of China is beyond a doubt. Consular and missionary reports prove conclusively not only that opium is being grown but that in many districts it has received official sanction in the nature either of taxation or of the issue of permits against a cash payment. It is reported and believed to be true that the military governor of Shensi derives the greatest part of his financial support from the taxation of opium culture. There seems to be no likelihood that any effective measures of suppression will be undertaken so long as the tuchun system of provincial administration continues, for the reason that these military governors find themselves obliged to seek revenue from every possible source in order to cover their military expenses.

The question of the disbandment of superfluous troops remains the leading economic problem of the immediate future. This has been fully discussed in the two preceding quarterly reports and it is sufficient here to note that no steps have yet been taken to put it into effect and that it is not likely that anything can or will be done until a large foreign loan can be raised to cover not only the immediate cost of disbandment but also the capital expenditure on account of public works to be constructed in connection therewith.

During the quarter the Legation was approached by the Provincial Government of Fengtien with a view of interesting American capitalists in the completion of the harbor works at Hulutao. Hulutao is a natural ice-free port at the northern end of the Gulf of Chihli (Liaotung), and was the projected deep water terminus of the Chinchow-Aigun railway, for which a concession was granted in 1909 to an American-British syndicate, but which has never been constructed. In 1910 the provincial authorities of Fengtien undertook the construction of the harbor works at Hulutao with the object of providing an ice-free port in Manchuria outside of the sphere of Japanese influence. The work progressed favorably during the first year, a branch railway line some seven miles in length from the Peking-Mukden line to the port having been completed, a considerable number of offices and other buildings having been built, and a commencement on the breakwater having been made. In 1911 the revolution broke out and from that time on the Provincial Government found itself unable to provide the funds necessary to carry out the plan of harbor construction. Under the terms of the Chinchow-Aigun railway concession above mentioned the American

financing syndicate interested in this railway was granted an option for providing the funds necessary to the development of Hulutao should the Chinese Government find itself unable to finance that work. The provincial government therefore in approaching the Legation inquired whether or not the American syndicate holding this option desired to exercise it, and intimated that if the syndicate did not care to take up the option the government would be forced to seek financial assistance for the project elsewhere. It is known that the Japanese are most anxious to make the necessary loan, but the provincial government does not look with favor on mortgaging this one remaining port of Manchuria to the Japanese, and it is believed therefore that the intimation mentioned referred to certain British interests. Eventually the provincial government consented to await the formation of the new consortium to whom it is presumed the option in question will be surrendered by the present holders. Should the new consortium not wish to proceed in this matter, the Provincial Government has consented to hold it open temporarily for any other American group to which the original syndicate may assign its option.

In this connection it should be noted that by the railway concessions granted in 1918 to Japan a line is projected from a point on the Taonan-Jehol line to the sea, and that this projected line cannot well terminate elsewhere than at Hulutao. The desire of the Japanese to obtain control of the port is therefore easily understandable.

From a Chinese point of view the Japanese control of Hulutao would be nothing short of a catastrophe. At present there are only two ice-free ports north of Chefoo, one being Dalny (Dairen) and the other Chinwangtao. Chinwangtao is not a good winter port as it is frequently blocked by drift ice and furthermore it has neither the depth of water nor is it sufficiently close to the Manchurian producing centers to serve as a rival to Dalny. Newchwang and Antung, the two remaining Manchurian ports, are both closed for about three months in the winter and even under favorable circumstances are available only for lighter draft coasting steamers. The projected Japanese railway system in Manchuria and Inner Mongolia if built will increase the already enormous exports passing through Manchurian ports for shipment. If Hulutao is not available this trade of necessity will pass through Dalny. Hulutao has an advantage in position over Dalny, being some 100 odd miles nearer Mukden. Furthermore it is connected with Mukden by a purely Chinese railway (the Peking-Mukden line). The importance of having a neutral artery of commerce to serve these regions in which Japan by her control and abuse of shipping facilities has placed her trade in a predominant position is self-evident. For this reason the con-

struction of Hulutao by Chinese, American or neutral capital appears to be a matter of prime importance to the future of American trade in Manchuria.

I have [etc.]

PAUL S. REINSCH

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Report on Political and Economic Conditions for the Quarter Ending  
September 30, 1919

893.00/3275

*The Chargé in China (Tenney) to the Secretary of State*

[Extract]

No. 3096

PEKING, November 22, 1919.

[Received December 30.]

SIR: I have the honor to submit the following report on the general political situation in China during the quarter ended September 30, 1919:

I. POLITICAL INFORMATION

A. DOMESTIC

(1) *General observations and developments.*

In the Legation's last quarterly report mention was made of the break-up on May 15th of the Internal Peace Conference at Shanghai consequent upon the presentation by the Southern Delegation of a series of eight unacceptable demands. This was followed by the resignation of the Northern Delegation, headed by Chu Ch'i-ch'ien, a personal friend of [and?] the nominee of President Hsu Shih-chang. There followed a period of active although quite informal negotiations between the northern and southern leaders, while at the same time a political struggle took place in Peking in regard to the appointment of a successor to Mr. Chu Ch'i-ch'ien as Chief Northern Delegate. The names of a number of important personages were mentioned for the post but all declined to serve, which is the Chinese equivalent of saying that their names were not acceptable in the dominant political circles. Finally the President was induced to appoint Mr. Wang I-t'ang, Speaker of the House and the parliamentary leader of the Anfu Club, to the vacant post. Mr. Wang's appointment was gazetted on August 16th. There will be found a reference to his activities in the Anfu Club in the last quarterly report. His appointment was a political success for the Anfu Club, but apart from this it deserves consideration for other reasons. There have been two explanations commonly advanced for the appointment of an Anfu man as head of the Northern Delegation: that the Anfu Club, which has always stood for the forcible sup-

pression of the Southern Federation, while unwilling to suffer the loss of prestige which would result from the conclusion of a negotiated peace by its political rivals, is not averse itself to concluding such a peace and to obtaining the popular credit therefor; and that a strong Anfu man was appointed with the expectation that the South would refuse to negotiate with him and would therefore have to assume the burden of declining to discuss terms of peace. It is possible that both of these contingencies entered into the calculations of the Anfu Club as either would strengthen its hand. A third hypothesis has been advanced: the northern militarists may have some understanding with their confreres in the south, and may only be waiting for the southern parliamentary party to refuse to come to terms to join with certain of the southern military chiefs in completely wiping out the Canton Military Government.

Mr. Wang's appointment was not favorably received except amongst his own immediate political supporters. His political affiliations are such as to make his choice extremely unpopular in the South. As has been noted in previous reports, the northern military party of which the Anfu Club is an important part is entirely dependent on Japanese support which has been extended both in the form of loans and of military supplies under the Sino-Japanese Military Agreement. Mr. T'ang Shao-i, Chief Southern Delegate, has not failed to make tactical use of this fact, and thus far has avoided any direct refusal to negotiate with Mr. Wang by insisting that the Central Government shall make public all agreements entered into with Japan as well as a complete statement of loans negotiated, before he consents to continue negotiations. For the moment the next move lies with the North. It should be noted in passing that Mr. Wang consulted with the Military Governors of Fengtien, Shantung, and Kiangsu before proceeding to Shanghai. It is understood from consular reports that General Chang Tso-lin of Fengtien recommended forceful action in the event of further southern "obstinacy", that the Shantung authorities appear to favor a "peace by negotiation", while General Li Shun of Nanking, who is in close touch with the South, is not believed to approve of Mr. Wang's appointment. Mr. Huston<sup>54</sup> reports that General Li Shun advised Mr. Wang to delay proceeding to Shanghai until some preliminary arrangement had been reached; Mr. Wang disregarded this advice and went at once to Shanghai, to be met by Mr. Tang's refusal to negotiate as mentioned above.

There is no doubt that at the close of the quarter conditions were extremely critical with a number of possibilities of trouble. As

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<sup>54</sup> Jay C. Huston, vice consul and interpreter at Nanking.

Chinese politics are largely personal, a brief survey of the affiliations of the leading military men may not be out of place. The northern military party, or Peiyang party, had its origin some twenty odd years ago in the modern army raised by Yuan Shih-kai when Viceroy of Chihli. It assumed no important political significance until after the revolution when the control of the State passed from the classic civilian mandarin state to the military. During Yuan Shih-kai's presidency the Peiyang party was divided into two groups, the Anhui Clique and the Chihli Clique. Amongst the then leading members of the former group were Tuan Chi-jui, Ni Ssü-ch'ung, and Chang Huai-chih, while of the latter Feng Kuo-chang, Li Shun, Wang Chan-yuan and Li Yuan-hung may be mentioned. The Anfu Club so far as its military membership is concerned, is formed principally from amongst members of the Anhui Clique. The following military governors are closely associated with the Anfu Club and generally may be expected to act in concert; Chang Tso-lin of Mukden, Ni Ssu-chung of Anhui, Chen Shu-fan of Shensi, Chang Kuang-chien of Kansu, Chang Ching-yao of Hunan, Chao Ti of Honan, and Lu Yung-hsiang formerly Defence Commissioner at Shanghai and now Military Governor of Chekiang. In opposition to the Anfu Club, the heirs of the old Chihli faction still control the central Yangtze Valley—Li Shun at Nanking, Chen Kuang-yuan in Kiangsi and Wang Chan-yuan in Hankow. Tsao Kun, Military Governor of Chihli, is "astride the Wall" in the Chinese expression. As has been noted General Hsu Shu-cheng is the Peking representative of those military men who are associated with the Anfu Club. For some months past this group, with its strong provincial support and with Japanese backing, has been in complete control in Peking. There are indications however that Marshal Tuan Ch'i-jui, who still exercises a great influence, has been gradually drifting away from the Anfu party and is coming into closer touch with the President than formerly; with him goes Chin Yun-p'eng, Minister of War and Acting Premier. The President can certainly count upon the support of the three Yangtze Valley governors as against the Anfu Club and if he is able to attach to himself Tuan and Chin, he may be in a position to defeat the Anfu Clique and regain sufficient authority to put into effect his domestic policies. A further opposition to the Anfu Club exists in Hunan, where are two military commanders neither of whom really recognizes the authority of Military Governor Chang Ching-yao. The better known of these General Wu P'ei-fu, was originally a subordinate commander under Ts'ao K'un, Military Governor of Chihli, but, since his command in Hunan, has gradually



assumed a semi-independent attitude and is commonly regarded as having southern sympathies. He is a bitter enemy of Chang Ching-yao and appears to be as popular locally as the latter is unpopular. The other is General Feng Yü-hsiang, sometimes known as the "Christian General"; he is by origin a member of the Chihli Clique. He is known to be on friendly terms with Wu P'ei-fu and at any moment may make common cause with him against Chang Ching-yao. Like General Wu he enjoys a high reputation locally. It is generally admitted that these two commanders are in a position to expel the Military Governor by force if they so desire, and there are now rumors current that they are about to take this step. In such an event it is probable that Hunan would come into line with the other Yangtze Provinces as a neutral province.

To add to the confusion there is no doubt that ex-President Feng Kuo-chang is actively intriguing against President Hsü and is open to make terms with any of the northern military who would support him in a claim to be the legitimate president, or to be exact in the claim that President Hsü's election was illegal and therefore is void, and that as the legally elected Vice-President Feng is entitled to function as President. General Feng has been particularly active during the past few weeks. His affiliations are all with the old Chihli Clique, but he is so discredited politically that it is doubtful whether he would be able to command any support from the Yangtze tuchuns in a movement to eliminate President Hsu. General Feng's movements are being watched with much interest.

To sum up briefly the immediate possibilities of the domestic situation: (1) Not only has there been little progress made toward an early conclusion of peace between the north and south, but on the contrary there are a number of indications that hostilities may be resumed unless the control of the Anfu Club in Peking is overthrown; (2) there is a strong possibility of a working arrangement between the President, Marshal Tuan Ch'i-jui, the Minister of War and the Yangtze tuchuns to overthrow or at least to neutralize the power of the Anfu Club in Peking; (3) there is considerable possibility of a localized conflict in Hunan between the Military Governor and Generals Wu and Feng; (4) ex-President Feng is actively intriguing for the overthrow of President Hsü—he is discredited and probably will be unable to bring matters to an issue, but, while it is improbable, it is conceivable that under certain circumstances he might secure Anfu support for his schemes, which, in such a case, would become dangerous. Geographically the Southwest is independent of Peking, the Yangtze Valley is under the control of northern military men in opposition to the Anfu Club and the northern plain is under the control of the Anfu Clique.

On September 24, Mr. Kung Hsin-Chan, Minister of Finance, who had held the additional post of Acting Premier since the resignation of Mr. Ch'ien Neng-hsün in May last, resigned both posts. No successor was appointed to the portfolio of Finance, the Ministry being left in charge of Mr. Li Ssu-hao, Vice-Minister. General Chin Yün-p'eng, Minister of War, of whom mention has been made above, was appointed Acting Premier. Mr. Kung's resignation, which had been impending for some time, occasioned no surprise. The financial difficulties of the Government, and the fact that Mr. Kung was not on the best of terms with his cabinet colleagues of the War and Navy Ministries, are a sufficient explanation of his retirement. Mr. Kung was never favorable to the proposed consortium method of financing China, and is understood to have held the view that with a proper reorganization and economy China should be able to do without any foreign loans. It is not clear how the period of reorganization could have been financed without foreign assistance, and as a matter of fact he himself applied to every possible service for foreign financial assistance. General Chin, who succeeds him as Acting Premier is reported to be more favorably disposed toward the consortium.

Mr. Kung's resignation leaves the Cabinet with only four full ministers, those of War, the Navy, Law, and Agriculture and Commerce. The Ministries of Foreign Affairs, Interior, Finance and Communications are all in charge of Vice Ministers. The Minister of the Navy has been seeking to resign for some time, as he cannot obtain funds for the payment of the Navy. The President thus far has been unable to carry out the much needed reorganization of the Cabinet owing to the attitude of the Anfu Club which demands the principal cabinet posts for Anfu members, a condition the President is not willing to meet. There seems to be reason to suppose that there is some idea of bringing Tuan forward again as Premier. It is doubtful if the Anfu Club would challenge his appointment, and, provided that Tuan breaks his connections with General Hsü Shu-cheng, the appointment would not be an unpopular one. Tuan is generally credited with being a sincere patriot, and has earned most of the criticism to which he has been subjected by reason of the unfailing support which he has given to all action taken by his subordinates, particularly General Hsü, to whom he delegates far too much authority. He is in addition extremely stubborn and very difficult to move once he has made up his mind. He enjoys the personal respect of many people to whom he is obnoxious politically.

Early in July General Meng En-yuan, Military Governor of Kirin, was ordered to turn over his seals to the Civil Governor, to vacate his post and to report to Peking for a new appointment. He was to be succeeded as Governor of Kirin, by General Pao, then Mili-

tary Governor of Heilungchiang. General Meng has for the past few years been the only rival in Manchuria to General Chang Tso-lin, Military Governor of Fengtien. After the appointment of the latter to be Inspector-General of the Three Eastern Provinces, which made him the immediate superior of General Meng, the relations between the two became even more strained. It is believed that General Meng consistently refused to recognize General Chang's authority in Kirin. When it became known that General Meng had been transferred, one of his most intimate lieutenants, General Kao Shih-ping, "refused to permit him to leave". General Chang Tso-lin promptly championed the Central Government and both parties made troop dispositions. Fortunately no fighting actually occurred. After some preliminary discussions between General Pao and General Meng, the latter finally consented to carry out his instructions and the incident, which at one time gave cause for serious alarm, passed off quietly.

A reference was made in the last quarterly report to the organization of the Northwest Frontier Defence Bureau and the placing thereunder of a considerable body of troops, as well as of the intention to despatch a force of these to Urga. Troop movements began in late July and early August and by August 26th, according to a report received by the Military Attaché 700 had reached Urga, 500 were at Kiakhtha, 120 were at Uliasutai and 100 at Kobdo. Between that date and September 30th it is believed that about 600 more reached Urga. The Military Attaché doubts the accuracy of many reports as to the strength of the Expedition, and places the total number of Chinese troops in Outer Mongolia at not over 1500 men. In the force is one battery of mountain artillery, and a number of machine gun companies, the rest being infantry. This force is probably all drawn from the former National Defence Bureau First Mixed Brigade, which was moved out of Honan during August and September. It was planned to despatch the 23rd Mixed Brigade of the same force to some point in Mongolia, probably to Ude (halfway between Kalgan and Urga) but this brigade had not moved up till the end of the quarter. The 2nd Mixed Brigade was scheduled to go to Suiyuan; it is not known definitely whether or not this unit has moved, although it is known that all told several thousand troops have left Peking by rail for Kalgan. In addition to those mentioned in detail above, there are now not more than 3000 men of this force quartered in Kalgan and at the head of the Hannabar Pass just outside of Kalgan. From this analysis of troop dispositions it will be seen that out of a total of between 7000 and 10,000 men, General Hsu has actually despatched to remote frontier districts only some 1,500; of the balance

some 4,000 or possibly more (those at Kalgan and Suiyuan) are within twelve hours of Peking by rail. The disposition of the remainder is doubtful. In view of the general unsettled state of affairs, this fact is worthy of note. Turning more particularly to General Hsü's Mongolian adventure, according to his own statements he has not only been well received by the local princes, but his emissaries have received marked and unique distinctions at the hands of the Living Buddha of Urga, the chief potentate, temporal as well as spiritual, of Mongolia. Less biased reports however are not so favorable. It is stated that the Expedition is viewed with suspicion and alarm by the Mongolians, who are placing all possible obstacles in its way. There were commodious barracks in existence in Urga which had been evacuated by the Mongolian troops and were standing empty. So soon as news of the expedition was received, these were completely destroyed by the Mongols, and the Chinese are now engaged in their reconstruction. Nevertheless the fact that General Hsu has despatched this relatively small force into the heart of Mongolia, where it could easily be attacked and cut up by the Mongols would seem to indicate some understanding.

Reports from southern Fukien and from Kwangtung Province indicate that conditions in the Southern Confederacy are equally as chaotic as in Peking. In that portion of Fukien under southern control, there was open fighting, although not on any large scale, between the locally recruited Fukienese troops and the Kwangtung troops under the command of General Chen Chiung-ming. The countryside generally was groaning under excessive and irregularly conducted taxation. Brigandage remained prevalent.

In Kwangtung much dissension arose over the appointment of a successor to the Civil Governorship made vacant by the resignation during June of the Acting Civil Governor. The Cantonese themselves were strongly in favor of the appointment of Dr. Wu T'ing-fang to the post. His nomination was opposed however by the Military clique, who desired to see the Military Governor made acting Civil Governor. A number of strikes which took place to support Dr. Wu's candidacy were suppressed by the military. A temporary solution was found by the appointment of the local Taoyin (Intendant of Circuit) to act as Civil Governor.

The direct authority of the Military Government does not appear to run beyond a part of Kwangtung Province, and that part of Fukien occupied by Cantonese troops. In Kwangsi, General Lu Yung-t'ing is semi-independent, while the Military Governor of Yunnan, General T'ang Chi-yao controls that province absolutely and exercises a very great influence in Szechuan as well. In the latter province a certain amount of friction is still apparent between the

Szechuan and Yünnan interests although there have been no open clashes.

Generally speaking the only interest in common which unites the southwest is its opposition to the present central government.

Apart from the conflicting ambitions and jealousies of the individual southern military leaders, there is a broadly defined split in the Southern Military Government between the civilian element headed by Wu T'ing-fang, T'ang Shao-i and others and embracing most of the politicians of the old parliamentary group, and the military element composed of the several military governors, together with the principal generals in the field. The southern military seem disposed to take an independent line in the matter of peace with the north and it would not be surprising to find a peace declared by the northern and southern military groups which would be acceptable to the North and which would have to be accepted by the Southern civilian group as the latter would have no military support left it. Such a peace would in reality be a victory for the northern military, as it would leave them more firmly in control than they were before the last revolution was proclaimed. There is no essential difference between the northern tuchun and his southern prototype, and a mutual agreement for the perpetuation of the military control of China would be in the interest of both groups.

The Peking Parliament adjourned on September 30th, upon the expiry of the constitutional limitation of the regular session. While not within the scope of this report, it may be mentioned that Parliament reconvened in extraordinary session almost immediately. There is an entire lack of public interest in the deliberations of Parliament, which is recognized as representing public opinion in no particular. It is devoid of influence and for the most part is a dummy in the hands of the leaders of the Anfu Club. Its sole claim to importance lies in the fact that the President received his election at its hands, wherefor it is an essential point of policy for the present Government to insist on the legitimacy of the present body as the constitutional parliament of the country.

(2) *Attitude towards the war.*

The discussion by the United States Senate Committee on Foreign Relations of the Shantung clauses of the Peace Treaty aroused great interest in China, and undoubtedly had a beneficial effect in so far as it tended to show that the United States was an unwilling party to the arrangements set forth in the Treaty for the disposal of the German interests in Shantung. There is no doubt that the whole country is definitely opposed to the Shantung settlement. The Government, however, in the first place contains a number of im-

portant officials who are under Japanese domination, and, in the second place, in view of its international responsibility, it hesitates to take any radical steps, and has done no more than offer a passive resistance to that settlement by refusing to become a party thereto. No such considerations restrain the southern leaders, however, who are insistent in their demands not only that the Shantung settlement shall not be recognized, but that the several Sino-Japanese Conventions dealing with Shantung, which have been widely quoted in support of the Japanese contention, shall be declared invalid as being without that parliamentary sanction necessary under the constitution to give effect to any treaty. Naturally this stand is taken largely as means of obtaining popular support for the southern cause generally, but it must be admitted that it represents a view which is held in many circles which have no connection with the Southern Confederacy. Finding itself unwilling to accept those clauses of the Peace Treaty which related to its own immediate interests, China set about to discover some other way of concluding peace with Germany, and finally decided to do so by Presidential Mandate. A Mandate, a copy of which was forwarded to the Department of State under cover of the Legation's despatch No. 3022, of September 17th,<sup>55</sup> was accordingly issued on September 15th, declaring the state of war between Germany and China to be at an end. The Mandate states specifically that apart from the three clauses dealing with Shantung the Paris Treaty is as acceptable to China as to the other powers. This declaration of peace by Presidential Mandate, without previous consultation with the power with whom China is at war, is curiously reminiscent of the earliest days of foreign intercourse with China, when China quite genuinely assumed to regulate the affairs of the universe by Imperial Edict. Despite the fact that

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<sup>55</sup> Despatch not printed (File No. 763.72119/7778); the following is the text of the mandate enclosed:

With the object of upholding International Law as well as the principles of humanity and actuated by the desire to mitigate the horrors of war and to hasten the conclusion of peace, the Republic of China declared war on Germany on August 14, in the Sixth Year. Since this country became one of the belligerents, we have been following the same policy as the other Associated Powers. Now hostilities in Europe have ceased and the Peace Treaty with Germany was signed by the delegates of the difference [*different*] Associated Powers on June 28 this year at Paris. By virtue of this, the state of war which had hitherto existed between Germany and the Associated Powers was brought to an end on that day. Dissatisfied with the conditions embodied in three clauses relating to Shantung, this country refused to sign the Treaty. But it must be remembered that the other terms in the document are as acceptable to us as to other Associated Powers. As the state of war between Germany and other Associated Powers is at an end, it naturally follows that we are now standing in the same relationship with Germany as the other Associated Powers. A resolution to this effect has been passed at a Parliament meeting and we hereby declare that the state of war between Germany and the Republic of China is at an end. Let all take note of this.

peace has thus been declared, no change has been made in the regulations governing German subjects in China and the disposition of their property. The Enemy Custodian Bureau continues to function in name, although actually nothing has been done with respect to the greater part of the property sequestered.

Simultaneously with the declaration of peace, the Grand Order of Merit was bestowed on Marshal Tuan Ch'i-jui in recognition of his services in connection with the War.

China's signature of the Austrian peace treaty aroused considerable interest, first because of the eleventh hour amendments which were proposed, but not adopted, for incorporation into the treaty, which if adopted would have made the treaty unacceptable to China, and second, because by her signature thereto China became a member of the League of Nations.

The War having been officially ended so far as China is concerned, it is worth while noting that Germans and Austrians have never been personally unpopular in China, nor has there ever been any strong anti-German sentiment, apart from individuals. China entered the War for reasons of Far Eastern politics, hoping thereby to secure international support and protection against Japanese aggression. That she failed in a large measure to gain her point, is, in the ultimate analysis, largely the fault of her own officials. In the first place she refused to move at all until she was quite certain that she was secure against any molestation at the hands of Germany, by which time she had lost the opportunity of herself recovering directly the German holdings in Shantung. In the second place, she hopelessly compromised her position *vis-a-vis* Japan by the series of secret agreements entered into between certain Chinese officials and that country. While it may be true that these agreements are not legally binding on China, nevertheless they gave Japan all that she required to support her case at the peace conference, more particularly as China herself has never yet definitely declared the agreements in question to be void. China undoubtedly expected the western powers in the protection of their own obvious interests to force Japan to disgorge Shantung.

#### B. FOREIGN

##### (1) *Relations with foreign countries.*

China's relations with Germany and Austria have been discussed above, as have also her relations with Japan so far as the questions immediately relating to Shantung are concerned. As these and financial questions to be discussed under the appropriate heading below were the most important features of China's foreign relations during the quarter, there does not remain much to add.

Another unfortunate incident took place between Chinese and Japanese troops in Manchuria. On July 19th at Changchun there occurred an armed clash between Chinese and Japanese troops in which some 18 Japanese and some 12 Chinese were killed and a number wounded on each side. The essential facts are not seriously disputed. It appears that a Japanese coolie was roughly handled by certain Chinese soldiers; the Japanese sent a small number of railway guards to the scene, who were reinforced by about 30 infantry; this armed Japanese force then marched to the Chinese barracks, where the commanding officer of the Japanese troops sought out the principal Chinese officer in the barracks and demanded an immediate investigation. While the parley was in progress, fighting started between the Chinese troops in the barracks and the Japanese force without. It is claimed, and may probably be true, that the Chinese started the firing. The firing continued for some time despite the efforts of both the Japanese and Chinese officers to stop it. Those who have any experience of Chinese troops and of the difficulty of obtaining satisfactory redress for grievances suffered at their hands will be the first to admit that the Japanese in the first instance had good cause for complaint. But there can be no justification for the unwarranted and provocative act of the Japanese in marching with an armed force to the Chinese barracks and there and then demanding that certain steps be taken.

It was first stated by the Japanese authorities that no political significance would be attached to this affray, and in fact the Japanese demands as at first reported were of no particular political significance. They provided for the withdrawal of all Chinese troops to a distance of 10 miles from the scene of the trouble, for apologies and the punishment of the responsible officers. The Chinese no doubt with the hope of minimizing the trouble, instructed the local officials to make a settlement. The Chinese Government itself promptly dismissed General Kao Shih-pin, the Commanding Officer, actuated thereto by his championing of the cause of the recalcitrant Governor Meng of Kirin. The case had not yet been completely settled by the close of the quarter, and from reports received during the progress of the negotiations it appears that the Japanese added to their original demands, a claim to have more Japanese instructors engaged for the Manchurian *Gendarmerie* forces.

While not strictly pertinent to the present section of this report, it may be mentioned that during the quarter an American citizen travelling in Manchuria, was the victim of an outrage at the hands of Japanese troops. Having fallen into an altercation with a Japanese private who attempted to thrust him from the road, they came



to blows; the American was arrested by Japanese troops and taken to Japanese police headquarters where he was detained for some time; he was finally released but again re-arrested the same day. Again he was released and left hurriedly the next morning on learning that he was again about to be arrested. The case was satisfactorily settled by apologies from the responsible Japanese officers and the punishment of the soldier concerned.

The anti-Japanese boycott, whose inception was noted in the last quarterly report, continued to be rigorously enforced in the South. Reports from Canton, Swatow, Amoy, and Foochow agree in describing it to be effective and nearly complete. In several of these districts, Japanese goods discovered on sale were publicly destroyed; merchants dealing therein were fined, and societies were organized for seeing that the boycott was strictly observed. In Shanghai the boycott is said not to be very effective. In Shantung it seems to be generally enforced, together with a Chinese nationalist campaign directed against the Japanese. There were a few cases of arrests of Chinese alleged to be boycott agitators by Japanese police in the Japanese Railway zone in Shantung. In North China the boycott movement though strong is not universal. The Japanese continue to attribute all Chinese anti-Japanese feeling to the intrigues of the "white" residents in China, particularly Americans, and of Americans particularly American missionaries. These latter were placed in a most awkward position in relation to the students in their schools. They could not well require of these boys an entire abstention from any participation in a nationalist movement, more especially as there is no desire on the part of American missionaries to make of their converts anything but good Chinese citizens. On the other hand, there was considerable difficulty in restraining the students from using the schools as headquarters and centres of direction for a campaign directly [*directed*] partly against the Japanese and in some cases partly against their own officials.

The Japanese continued to exercise a very great influence over the officials of the Central Government in Peking. While the so-called new Communications clique, headed by Tsao Ju-lin, formerly the principal medium for Japanese intrigue, was not much in evidence during the quarter, close relations continued to be maintained between the Japanese and that wing of the military clique allied with the Anfu Club. General Chin Yün-p'eng, the new Premier, by common repute is considered to be less under Japanese influence than General Hsu Shu-cheng, but the Legation is confidentially informed that his nomination to the Premiership was actually referred to and approved by Tokyo before his appointment was made

effective, which would indicate that the popular view of his attitude is hardly correct.

Owing to the disturbed state of affairs in Siberia, a number of Sino-Russian questions have arisen during the past few months. Of these the most important were the illegal seizure of several million roubles by General Semeonoff from Chinese merchants passing through Chita, and the question of the despatch of Chinese war vessels up the Russian portions of the Sungari and Amur Rivers. In regard to the former, after a threat by the Chinese Government to stop further payments on account of the Russian share of the Boxer Indemnity, the Omsk Government undertook satisfactory measures for the indemnification of the Chinese merchants concerned. The latter case has to do with the provisions of the Treaty of Aigun of 1848 [1858] and of the Treaty of St. Petersburg of 1880 [1881], concerning the navigation of the Amur and Sungari Rivers, which are bilateral in character and grant to the vessels of each nation the right to navigate within these two rivers the territorial waters of the other. This right has long been exercised by Russian vessels in respect to the Chinese portions of the rivers in question, but has never been operative in respect to Chinese war vessels desiring to navigate the Russian portions thereof. The Russian Legation explains this failure to give effect to a treaty provision by a deficiency in domestic legislation. The question has become acute owing to the attempt of Chinese Government to despatch war vessels up the rivers in question. The Commandant of the Russian fortifications at the entrance denied them access, and for a time they were practically interned. No solution of the difficulty had been found up till the end of the quarter.

The post of Minister to Japan, vacant since the resignation of Chang Tsung-hsiang after the assault made upon him in Peking by students during last May, was filled by the appointment of Mr. Liu Ching-jen, lately Chinese High Commissioner in Siberia. Mr. Liu had an extended diplomatic career in Europe before his appointment to Siberia. He was succeeded as High Commissioner by Mr. Li Chia-ao, lately Commissioner for Foreign Affairs at Harbin, where he was on most excellent terms with both Russian and other foreign officials and residents. Mr. Li has spent many years in Russia, speaks the language fluently, and is well disposed towards the Russians.

(2) *Attitude toward the United States and Americans.*

The departure of Mr. Reinsch, the retiring American Minister, was made the occasion for a striking display of China's friendship toward the United States. During his tenure of office in Peking,

Mr. Reinsch had made himself extremely popular in Chinese circles by reason of his sincere friendship for China and of his attempt to cultivate informal social relations with Chinese of all classes in Peking. However, while the demonstrations on his departure were no doubt largely as tribute to his personal popularity, they were equally inspired by a desire to express China's gratitude for the friendly attitude adopted by the United States toward China at the Peace Conference. This was noticeable in practically every public speech made. The series of entertainments to which Mr. Reinsch was invited were unprecedented in connection with the departure of any former foreign minister in Peking, and included, besides the usual strictly official fetes, dinners and receptions given by Chinese merchants, bankers, both Houses of Parliament, student organizations and a large number of prominent individuals. His departure was also made the occasion for a eulogy, both personal and of the United States, in almost every important Chinese paper in the capital.

It is difficult for any American to form an accurate estimate of the real Chinese opinion in regard to the United States, as oriental politeness plays a large part in the expressions of opinion which he constantly hears. At the same time, the tone of the Chinese press, and the fact that petitions invoking American assistance for China are constantly being received from all parts of the country, are perhaps a sufficient indication of the fact that of all foreign countries, the United States stands first in Chinese esteem. Unfortunately, however, while the United States is probably genuinely liked, there exists a marked disposition on the part of responsible Chinese officials to question her intentions of playing an active role in Chinese affairs. Thus it by no means follows that, because America is a popular nation, China's officials, even if well disposed personally toward America, will readily fall in with American plans in China, as they beg leave to doubt whether in the final analysis the United States will exert the pressure necessary to bring such plans to fruition in the face of opposition from other powers.

During September the Chinese Government despatched Mr. Hsu En-yuan to the United States with a confidential commission to conclude with the Continental and Commercial Bank of Chicago the negotiations initiated by Mr. Abbott<sup>56</sup> in 1917 looking to the execution of a contract for a loan of \$25,000,000, supplemental to the \$5,000,000 loan made by that Bank in 1916 secured on the Wine and Tobacco Tax.<sup>57</sup> The further history of these negotiations will be dealt with in the following quarterly report.

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<sup>56</sup> John Jay Abbott, vice president of the bank.

<sup>57</sup> See *Foreign Relations*, 1916, pp. 138-143; also *ibid.*, 1917, pp. 130-133.

## C. PROPAGANDA

(1) *Activities of Japanese propaganda.*

The bitter anti-American tone of the Japanese owned and controlled press in China, already noted in a number of previous reports, continued to be manifest during the quarter. The Legation again had occasion to complain to the Japanese Legation of a further personal attack on the American Consul at Tsinan appearing in the local Japanese paper there.

The Japanese press attacks on American policy in China centered mainly on the new Consortium.<sup>58</sup> A strong effort was made to discredit the motives of the powers supporting the Consortium project by constant discussion of the railway unification provisions adopted by the Paris Bankers' Conference in May last, which were represented as a threat to China's independence and liberty of action. The belief already noted, held in many Chinese quarters, that the United States cannot be relied on to carry to fruition her projects in China is also in no small measure due to sedulous Japanese intrigue. While the Consortium negotiations are being perpetually delayed by the presentation by the Japanese of conditions which they know are unacceptable, the Japanese in China point to the delay in the consummation of the Consortium as another example of American indecision, and foster the growing opinion in China that it is futile for the Chinese Government to await financial assistance from this source. It is becoming an open question as to whether it would not be a desirable matter of policy for the United States to conclude a Chinese loan independently to make clear and unmistakable the fact that the United States does intend to take a part in Chinese finance, through an international Consortium if possible, but if not independently, and that she does not propose to be indefinitely blocked by insincere Japanese negotiations.

(2) *American publicity.*

It will be recalled that during May last, an American syndicate purchased the Tientsin edition of a well-known Chinese paper called the *Yi Shih Pao*. At that time the negotiations for the purchase of the Peking edition of the same paper had to be abandoned owing to the suppression of the paper by the Chinese authorities. The paper was permitted to resume publication during June or July and in August was purchased by the same syndicate which purchased the Tientsin edition. The *Yi Shih Pao* has one of the largest circulations of the Chinese dailies in North China.

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<sup>58</sup> See section on negotiations for the organization of a new international financial consortium, pp. 420 ff.

The Legation learned of negotiations in progress for the purchase by American interests of one of the leading Chinese dailies in Shantung, and the establishment in the same province of another American owned Chinese daily by other American interests. From Foochow also there were reports of negotiations for the establishment of an American controlled Chinese paper.

While, as a legal proposition, the right of foreign interests to conduct vernacular newspapers in open ports under extra-territorial privileges appears to be well established, this sudden development of American interest in vernacular papers suggests some interesting points of moral responsibility, which may in time necessitate additional legislation. That foreigners enjoy extra-territorial privileges in China and exemption from the operation of Chinese law is in itself proof of the fact that China has not yet developed within measurable distance of the civilization and conditions of the west. In such a backward country, subject as it is to constant domestic political disturbances, what might, in more advanced countries, be considered as no more than rather strong political comment may easily become revolutionary propaganda of a pronounced type. This tendency is accentuated by two facts: first, that there are few Americans capable of personally conducting the editorial policy of a vernacular paper on account of the language difficulty, and that the Chinese journalists whom the American proprietors are forced to use, have not been trained up to the sense of responsibility and the ethics of journalism exemplified in the better class of American journals; and, second, that when existing Chinese papers are purchased, it almost invariably happens that the more able and trenchant of the journals in opposition to established authority are those which come upon the market, as they seek to protect themselves by cover of foreign ownership and consequent extra-territorial immunity. The Chinese sellers of such papers generally retain a part ownership, and there exists a strong suspicion in some cases that when such papers are sold, the Chinese vendors in effect are purchasing foreign protection by the very advantageous terms of sale which they accept. As a matter of policy, it may be found desirable to permit such papers to go their way unchecked, as their policies, to do them justice, are generally directed against official corruption and oppression and in favor of the development of democratic ideals. Should it be considered advisable to impose some measure of control, two methods suggest themselves: that it be made a legal prerequisite to the recognition of a newspaper corporation as an American citizen, that the responsible editorial control of such a paper be vested in an American, and that the United States officials be

directed to bring suit for criminal libel against the responsible American whenever circumstances warrant it; and that additional legislation be enacted to control the publication by American papers in China of inflammatory news matter or editorial comment. Both methods are open to obvious objections, particularly if the American interest in Chinese newspapers assumes large proportions.

## II. ECONOMIC INFORMATION

There were no new economic developments of importance during the quarter.

Reports of opium cultivation from various parts of the country continue to be received. It would appear that the authority of the Central Government in the provinces is not sufficient to prevent the re-introduction of the opium curse by unscrupulous provincial officials who require the revenue to be derived from opium production and sale. Further it appears that the soldiers as a class are becoming much addicted to the use of the drug, which makes the prohibition of smoking that much the more difficult.

The rice shortage in Canton which caused acute distress amongst the poorer classes, was partially relieved by large importations from the Yangtze and with excellent prospects for the new crop the danger of famine has disappeared.

The chief disturbing factors economically continue as before to be brigandage, which is still prevalent over large parts of the country, the circulation in many provinces of practically worthless paper money, and the lack of adequate transportation facilities. These factors have already been discussed at length in previous reports and therefore need not be elaborated here.

Complaint was made by foreign merchants of the collection in the Upper Yangtze of unauthorized and illegal duties on river borne freight. It appears that these duties are simply a forced levy without any legal basis collected by military commanders holding important points on the river. In addition to such frankly illegal taxation, the Legation continues constantly to receive complaints of various taxes on goods in the interior authorized by the Central Government, the ground of protest being that the goods in question having paid a transit tax in commutation of further inland charges, are nevertheless subjected to such charges immediately on arrival at the point of destination. There is hardly room for doubt that these taxes are contrary to treaty, but so far it has proved impossible to induce the Chinese Government to grant any relief.

## III. COMMERCIAL INFORMATION

## A. THE BOYCOTT OF JAPANESE GOODS

Commerce was diverted into new channels and industry stimulated by the steadily increasing scope and effectiveness of the boycott of Japanese merchandise in South and Central China. This movement, begun in May, has been distinguished from previous manifestations of its kind by two new elements—patriotism and organization. Through active efforts of the student class, supported by native merchants and chambers of commerce, it is reported, sales of Japanese cotton yarns and hosiery, machinery, toilet articles, medicines, beer, milk, biscuits, straw hats, soap, lumber, hides, watches, crockery and rubber goods have declined very materially; and imports of coal, paper, piece goods, toys, matches and stationery from Japan have decreased considerably. It is asserted that well over half the Japanese export business to China has been eliminated. This can not be proved by statistics now available because orders placed by Chinese firms before the beginning of the boycott are still being filled. The appended figures show the quantity of some of the principal imports from Japan into Shanghai during June, July and August:

The Japanese consul-general at Amoy, where Japanese interests are extensive, cabled to his government on August 18 that owing to the boycott agitation the import trade of that port had decreased 70 per cent. In Hankow, another center of Japanese commercial activity, the native chamber of commerce collected samples of home-made goods and located disguised shipments from Japan. At the end of the quarter it was reported that the boycott in Shantung was complete, the Chinese not only refusing to purchase articles from the Japanese but refusing to sell them anything. The Japanese egg products factory at Tsinanfu has been prevented from executing contracts with American firms.

The boycott is probably more effective in Canton than in any other large city of China. Both male and female students have labored unceasingly there and late in September succeeded in bringing the large department stores into line. These stores were not placing new orders in Japan; merely attempting to dispose of their vast stocks of Japanese goods. The manager of one of these establishments is quoted as saying that such stocks at the end of August were valued at Mex. \$30,000,000.

As a result of the boycott the Texas Company, an American enterprise, discontinued its arrangements with Mitsui and Company, a Japanese house, for the distribution of its petroleum and petroleum products in China; henceforth their sale will be controlled by a

branch office in Shanghai. The Texas Company's chief brands of oil, "Sing" and "Yingfoo", have been marketed in China direct from Port Arthur, Texas. Since May these lines have been boycotted and very little business has been done, Chinese dealers turning back the stocks in their possession because Mitsui and Company, it is alleged, claimed that the goods came from Port Arthur, Manchuria. The fact that the Texas Company has been forced to cancel its contract with Mitsui and Company is expected to have a considerable influence in discouraging other proposals for Japanese-American business co-operation in China.

#### B. THE IMPORT TRADE

High exchange continued to favor imports into China during the quarter, and inward cargoes were notable chiefly for the large quantities of goods from the United States, both from Pacific ports and New York via Panama or Suez. The market for piece goods was weak. Staples quieted down in July and prices declined. In August business was almost at a standstill. There was an improvement in September, when numerous inquiries were recorded, but prices did not advance materially. Shipments of American gray sheetings, plain cotton prints, and drills were received.

The impetus given to Chinese industries by the boycott of Japanese goods led to the placing of many orders for machinery and other factory equipment, a generous share going to American manufacturers. It is stated that Andersen, Meyer, and Company alone obtained twenty orders for cotton mills, and at least one American plant (the Saco-Lowell Shops) will be occupied with China trade exclusively for the next eighteen months. The large profits made by Shanghai mills, the desire of the Chinese to make their own cotton goods, and the anti-Japanese movement were the factors combining to bring about the unparalleled expansion of the local cotton industry. There are now approximately 1,500,000 spindles in China, but replacing the imports of finished products of various kinds, from yarns to piece goods, would require 5,000,000 spindles. Formerly the predominating interest in China's cotton mills was foreign; the development in the past six months has been almost entirely native, and when the new factories are in operation Chinese capital will be well in the lead.

During the quarter new machinery for the Wuchow Electric Light Company arrived from the United States, and an American firm in Shanghai was awarded the contract for washing and dry cleaning machinery and equipment for the Shanghai Sanitary Laundry Company. In July and August imports of American machinery into the port of Shanghai were valued at 334,296 Haikwan taels, giving the



United States considerably more than half the total trade in this line. Canada supplied machinery valued at 96,507 Haikwan taels in August. Aniline dyes of American manufacture enjoyed a substantial lead in Shanghai's import trade, and although shipments of American hosiery were insignificant, in July they exceeded receipts from Great Britain.

In connection with the efforts being made by American manufacturers to increase their sales in China it is worth while to note the success attained by the large department stores in Canton and Shanghai. These establishments have introduced the fixed-price system of merchandising with excellent results, and their large trade in foreign goods has induced most of the other native stores to carry imported lines. A chain of American department stores in the principal cities of China would be of incalculable benefit to American trade generally. They could display an unlimited number of different lines, exclusively American, and the advantage of goods new to the Chinese market could be explained.

I have [etc.]

CHARLES D. TENNEY

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**Failure of Further Attempts at Resumption of the Peace Conference—Project for Reduction of the Military Forces**

893.00/3234 : Telegram

*The Consul General at Shanghai (Sammons) to the Secretary of State*

SHANGHAI, October 2, 1919, 5 p.m.

[Received October 2, 10.30 a.m.]

Tong Shao-yi, Chief of Southern Peace Delegation, disgusted with both Northern and Southern military party tactics, sent official seal and resignation to latter.<sup>59</sup> Legation notified.

SAMMONS

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893.00/3268

*The Consul General at Shanghai (Sammons) to the Chargé in China (Tenney)*<sup>60</sup>

No. 3747

SHANGHAI, October 18, 1919.

SIR: I have the honor to summarize the status of the internal peace negotiations as follows:

Mr. Tong Shao-yi stubbornly refuses to discuss the secret treaties with Japan or to receive members of the Northern Delegation relative thereto. He insists on the publication of the treaties and the

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<sup>59</sup> For report of the refusal to accept his resignation, see p. 396.

<sup>60</sup> Copy forwarded to the Department by the Consul General under covering letter of same date; received November 24.

loan negotiations between China and Japan by the Chinese and Japanese officials at Peking and Tokyo, respectively; and states that the Southern delegates to the internal peace conference stipulated that these agreements, after publication, should be cancelled. Mr. Tong also believes that the Chief Northern Delegate has not received all of the secret agreements, it being his view, of long standing, that some of these agreements are too shameful for the parties concerned to allow them to be scrutinized or made public.

The Northern delegates seem to assume that the matter is now in the hands of the Southern delegates, and more particularly in the hands of Mr. Tong Shao-yi, for suitable action in harmony with the proposals of the North to send the secret documents here for examination with a view to the resumption of the peace negotiations, which were broken off last May.

I am reliably informed that the documents received by Mr. Wang were not brought to Shanghai by an official, but were sent by registered mail, and that copies of the railway loan agreements were included.

Mr. Wang has confidence that the peace conference may soon resume sessions, while Mr. Tong seems to be very doubtful as to its resumption in the immediate future.

I have [etc.]

THOMAS SAMMONS

893.00/3244 : Telegram

*The Chargé in China (Tenney) to the Secretary of State*

PEKING, November 6, 1919, noon.

[Received November 6, 7.46 a.m.]

Premier Chin informs me that all Northern military governors have agreed to disband 20 per cent [of] their forces.

TENNEY

Report on Political and Economic Conditions for the Quarter Ending  
December 31, 1919

893.00/3545

*The Minister in China (Crane) to the Secretary of State*

No. 173

PEKING, September 1, 1920.

[Received October 14.]

SIR: I have the honor to transmit herewith the Legation's Quarterly Report on conditions in China for the period ending December 31st, 1919. A copy of this report is being forwarded to the Embassy at Tokyo for its information.

I have [etc.]

(For the Minister)

A. B. RUDDOCK

[Enclosure—Extract]

*Report of the American Legation in China for the Quarter Ending  
December 31, 1919*

## I. POLITICAL INFORMATION

## A. DOMESTIC

(1) *Observations and developments.*

In the Legation's last quarterly report an extended reference was made to the revocation of the Domestic Peace Conference at Shanghai and the appointment of Mr. Wang I-t'ang to be the Chief Northern Delegate. It was pointed out therein that Mr. Wang was the most prominent civilian leader of the Anfu Club, and the view was hazarded that in securing the appointment for him the Club had in mind to profit by whichever course events took; that is, should the southern parliamentarians refuse to treat with him, the Anfu Club which represents the military extremists of the north, would justify a resumption of hostilities on the ground that the south had refused to negotiate; while if peace resulted from the negotiations, the credit therefor would be claimed by the Club. Reference was made also to the persistent reports of direct, secret negotiations between the northern and southern military leaders. Mr. Tang Shao-i, the Chief Southern Delegate, met the first difficulty by announcement to the press that he would not permit any personal or political objections to Mr. Wang to wreck the conference, but that the Southern Military Government considered the publication by the Central Government of all secret agreements entered into with Japan to be an essential prerequisite to the opening of negotiations, pointing out that before effecting a re-union with the north, the Southern Military Government was entitled to know to what extent and in what way the country was committed by foreign obligations. Mr. Wang endeavored to meet this demand by an offer to place before the conference the documents concerned, which he claimed to have received from Peking, but Mr. Tang refused the offer first, as he did not consider a confidential disclosure to the conference to be sufficient, and second because he stated that it was well known that the documents which Mr. Wang was proposing to produce did not contain all of the agreements made.

In an endeavor to clear the air of direct negotiations over the head of the conference, Mr. Tang Shao-i resigned his post of Chief Southern Delegate on September 3rd [*October 2d?*], alleging as the reasons the "lack of sincerity" of certain elements in the Southern Government, and the direct negotiations alleged to be taking place. To give force to his resignation he despatched his official seal to

Canton. On October 5th, the Southern Government refused to accept his resignation, and on October 18th returned to him his seal of office.

Failing to persuade Mr. Tang to open formal negotiations, Mr. Wang endeavored to get into indirect touch with him by sending certain of his associate delegates to call on Mr. Tang. Mr. Tang, however, refused to see them, his refusal being followed by the resignation of four of the northern delegates. Shortly thereafter a number of the southern delegates also left Shanghai.

During the last two months of this quarter no serious attempt was made by either side to resume negotiations. Matters were allowed to drift, the activities of the delegates being directed to violent press propaganda, each with the object of placing the responsibility for the failure of the conference on the other. Meanwhile the direct negotiations between the military leaders on either side dragged on without any obvious results.

It may be mentioned in passing that Peking continued to be flooded with telegrams and petitions denouncing Wang I-t'ang. They were due in part to a well conducted propaganda by the northern delegation, and in part to the generally held opinion that the Anfu Club, whose nominee, Wang, was intimately concerned with the Japanese, against whom popular opposition had risen to a high pitch. Mr. Wang continued to hold to his position, however, as to resign would have been too serious a loss of prestige for his party. About the middle of October, a badly planned and quite ineffectual attempt was made on his life, a bomb which failed to explode having been placed in an unfrequented part of the garden attached to the house which he was occupying.

To the unbiased observer it would appear that neither the Anfu party nor the radical extremists of the south had any ardent desire to find a practical solution of the difficulties in the way of peace. The constitutional questions which were the nominal cause of the civil war, while still invoked in movements [*moments?*] of stress by the southern party, actually have largely drifted into the background and the disagreement has rendered itself into a struggle between two groups of professional politicians and military leaders. So far as any immediate result is concerned the prospects for peace appear less bright at the beginning of 1920 than a year before. With the authority of the rival governments limited in effect to within a few miles of their respective capitals, it makes but little difference to the administration of the country whether the actual ruler of a province, the military Governor, draws his nominal authority from Peking or Canton.

There was no serious fighting during the quarter between the northern and southern forces.

As opposed to the apathy and indifference of the officials of the central and southern governments to the national interests, it is gratifying to note the interest displayed by a number of the provincial assemblies in matters of government. The Chekiang Assembly in particular distinguished itself by a serious attempt to place the adjustment of the country's domestic political differences in the hands of the provincial assemblies jointly with the two rival governments, by the creation of a conference composed of delegates, one third of whom should be appointed by the central government, one-third by Canton, and the remaining third by two delegates from each assembly. The principle of the plan received fairly good support in the provinces but was frowned on by Peking, which instructed the Assemblies by mandate to confine their attention to proper channels, and the attempt came to nothing.

It will be recalled that Mr. Kung Hsin-chan, who had been premier since the resignation of Mr. Ch'ien some months earlier, resigned office on September 30th. In Mr. Kung's valedictory message, he estimated the budget deficit for the year 1920 at two hundred million dollars. In view of this deficit he seemed to regard a large foreign loan, to which he was theoretically opposed, as inevitable, and, in anticipation of its conclusion he recommended strongly that adequate provision should be made for the application of a part of the proceeds to industrial development and other productive enterprises as well as to a reorganization of the Government, and that the military should not be permitted to appropriate the whole proceeds for military purposes. General Chin Yün-p'eng, Minister of War in Mr. Kung's cabinet, was appointed Acting Premier the following day. The portfolio of Finance made vacant by Mr. Kung's resignation of his concurrent post of Minister of Finance, being filled temporarily by the appointment of Vice Minister Li Ssu-hao to be Acting Minister. While General Chin has always been recognized as a staunch supporter of Marshal Tuan Ch'i-jui, he has never been identified with the Anfu branch of the military party, and indeed is considered as the leader of the opposition within the military camp to General Hsu Shu-Cheng, the moving spirit in the Anfu Club. He was commonly believed to favor a *rapprochement* with England and America, the advantages of co-operation with whom had been consistently ignored in favor of Japanese support by the Anfu Club, and to be well disposed toward the Consortium scheme of financial assistance for China. In view of these facts the Anfu Club decided on a display of strength at once, and found the occasion in connection with the formation of the new cabinet. The Club demanded the appointment of Anfu nominees to the portfolios of Communications and Finance in addi-

tion to the Ministry of Justice already held by one of their partisans. The Club also took exception to certain others of General Chin's candidates for cabinet honors. The fight was finally reduced principally to the portfolio of Finance, the Premier had early given away in respect to the Ministry of Communications. General Chin first appeared determined to stand or fall by his candidate, Mr. Chou Tzü-chi, but at the eleventh hour gave way and accepted the Anfu candidate, Mr. Li Ssu-hao, the Acting Minister. The cabinet nominations were submitted to Parliament late in November, and passed with two exceptions, the candidates for the Ministries of Education and Agriculture and Commerce, failing to meet with approval. The Cabinet as finally constituted was as follows:

Foreign Office	Lou Tseng-tsiang
Interior	T'ien Wen-lieh
Finance	Li Ssu-hao
War	Chin Yün-p'eng concurrently premier
Navy	Sah Chen-ping
Justice	Chu Shen
Communications	Tseng Yü-chün

The Ministry of Education was placed in the charge of the Vice Minister, Mr. Fu Yueh-fen, as Acting Minister, and that of Agriculture and Commerce given as a concurrent acting post to the Minister of Interior. At the same time Mr. Tcheng-Loh was appointed Acting Minister for Foreign Affairs during the absence in Europe of Mr. Lou, the Minister.

The first trial of strength was indicative of the strength of the Chin Cabinet. At no time has the Premier succeeded in carrying out his own wishes in the face of the organized opposition of the Anfu Club. This is partly due to the indisposition to fight an issue to a finish which the Premier shares with so many of the present Chinese political leaders, but in justice to General Chin it must be remembered that the most important portfolios in his cabinet are held by his political opponents and that he has had no organized backing either in the cabinet or in parliament.

General Chin is forty years of age and is a native of Tsining, Shantung. He was educated in the Siao Chau Military Academy. In addition to his purely military career, in which he reached the rank of Lieutenant General, he has held the post of Military Governor of Shantung, and was Minister of War in Mr. Kung's cabinet.

The most important political development of the quarter was the cancellation of Mongolian autonomy. It will be recalled that subsequently to the first revolution the Chinese control over outer-Mongolia, which had never been very effective, was considerably weak-

ened, while Russian influence was correspondingly increased. This resulted in the Chinese-Mongolian-Russian tripartite agreements of 1913 and 1915 by which outer Mongolia was set up as an autonomous state under Chinese suzerainty, Russia enjoying certain special rights and privileges therein. Undoubtedly China was not a willing party to these agreements and only signed them under Russian pressure. On the other hand the bulk of the Mongols objected to Chinese control and probably welcomed the privilege of managing their own affairs. Moreover, many of the more important Mongol princes received pensions from the Russian Government, it has been claimed that the autonomous Mongolian Government could not have existed without Russian financial support. General Hsu Shu-cheng's military activities in Mongolia have been touched on in a number of previous reports and require no further comment here. By early November he had a considerable force in Urga, and along the route from Kalgan to Urga. Meanwhile Mr. Chen Yi, the Chinese resident at Urga, had been active in negotiation with the Mongol princes and seems to have succeeded in enlisting considerable support among them for the return of Mongolia to the Chinese fold; in this they were influenced by the fact that the Russian pensions had ceased consequent on the chaotic conditions obtaining in Russia, and that Mr. Chen Yi promised Chinese money in return for their support. Early in November, General Hsu Shu-cheng himself went to Urga and immediately after his arrival, on November 10th, 1919, he called [on] the Hutukhtu in company with Mr. Chen Yi, and demanded the Hutukhtu's signature to the petition to the President for the cancellation of Mongolian autonomy. The Hutukhtu, who has throughout been firmly opposed to any change in Mongolia's status, refused to sign the petition. On the 14th, General Hsu stationed troops along the approaches of the Hutukhtu's Palace, while Mr. Chen Yi visited the Council of Ministers, and preferred a demand for the cancellation of autonomy within forty-eight hours. The Council of Ministers refused [*referred?*] the demand to the Hutukhtu, who promptly called a meeting of the Representative Assembly to consider the matter. The Lower House favored a counter demand for the immediate withdrawal of Chinese troops from Mongolia, and a recourse to arms if necessary, but the Upper House, wherein were many partisans of the scheme, pointed out the futility of armed resistance, and counilled [*counseled*] acceptance. These councils [*counsels*] ultimately prevailed, and on November 15th Chen Yi called on the President of the Council of Ministers, and received from him the petition of the cancellation of autonomy, which subsequently appeared embodied in a Presidential Mandate approving the same. Although drawn in the name of the Hutukhtu, it is stated that he remained firm

to the last, and refused to affix his signature. General Hsu and Mr. Chen Yi, however, considered that the Council was legally competent to act for him, and that his personal signature was not necessary. From this brief statement it will be seen that the cancellation of autonomy was not a voluntary act of the Mongolian Government, and that it is probably opposed by the majority of Mongols, although it is very difficult to form an accurate opinion on this point, as accounts vary considerably. On November 22nd, a Presidential Mandate was promulgated, quoting the petition in full, and approving the same. The mandate pointed out that, as Mongolia voluntarily desired to return to the relationship which had existed prior to autonomy, China could not well refuse her request. This position was taken to justify China's action *vis-a-vis* Russia, as the Chinese action amounted to denouncing the Sino-Russian convention concerned. On November 24th the Russian Minister lodged a formal protest with the Chinese Foreign Office, claiming the right of Russia to be consulted in such matters in view of the conventional engagements between China, Russia and Mongolia and reserving all Russian rights. The Chinese rejected the protest. On December 1st, General Hsu Shu-cheng, in his capacity of Northwest Frontier Defence Commissioner, was appointed Director General of the reorganization of Outer Mongolia. The post of Chinese resident at Urga was abolished, Mr. Chen Yi being given honorary military rank as Yu-wei Chiang-chün. Considerable irritation was manifested by Mr. Chen Yi's friends, who considered that General Hsu had snatched the fruits of a victory which was mainly due to Chen Yi's work. It was widely reported in Peking that following the signature of the petition of the Council of Ministers, General Hsu, who brought the petition to Peking in person, immediately before his departure, arrested Chen Yi, and confined him at military headquarters at Urga. The report was subsequently officially denied, and its accuracy is doubtful.

Chinese press comment, as a whole, welcomed the return of Mongolia to full Chinese sovereignty. A number of papers, however, professed to see in the *coup d'état* the cloven hoof of Japan. There were charges made that Japan had advanced large sums of money to Mongolia, and that the break up of Russia's favored position in Mongolia was a necessary first step, to be followed eventually by a claim of Japanese special interests there. While such design may be conceivable, and while Japan no doubt welcomes the check thus administered to any Russian advance toward North China proper, it is difficult to believe that Japan seriously considers any adventure so far afield as Outer Mongolia. It is a far more probable hypothesis that in return for assistance rendered to the War Participation forces, which were used for the Mongolian expedition, Japan



counted on the support of General Hsu and the Anfu party for the advancement of her special interests in Eastern Mongolia.

Foreign opinion generally in China appears to have been apathetic toward this important event. On the other hand those foreign firms doing business in Mongolia seem generally to be opposed to the Chinese action. Under the purely Mongolian administration of the past few years they had been granted a freedom of action beyond the restricted rights enjoyed under treaty arrangements in the interior of China. These foreign merchants also point to the peaceful conditions which have obtained in Mongolia in marked contrast to the disorders and chaotic conditions in many of the Chinese provinces. One of General Hsu's first acts was to stop the sale to an American firm of certain property in Urga.

In connection with his duties as Director General of Reorganization General Hsu has some very extensive development projects in view, including the extension of the Lui-yuan<sup>61</sup> Railway to Urga. It was reported that a Japanese loan had been concluded for this purpose but the report has never been confirmed, and probably is unfounded. It should be noted that the Russians claim a preferential right to supply funds for the construction of such a line should a foreign loan be necessary. It is known that the Russian interests, being themselves unable to finance such an undertaking at present, would welcome American co-operation, but it is doubtful if the proposed line would appeal to American capitalists on its industrial merits. General Hsu has also under organization a Mongolian Development Bank, through which he hopes later to issue a large series of domestic bonds.

Under the appropriate heading there will be found hereinafter some reference to the activities of the students in connection with the anti-Japanese boycott and Japanese relations generally. While Sino-Japanese relations were the immediate occasion for the development of this movement it is believed that its greatest significance lies rather in its political aspect, as an attempt to make popular opinion articulate and effective, than merely in an expression of resentment against Japanese action. It should be noted also that the activities of the students have by no means been limited to anti-Japanese propaganda. A number of demonstrations have taken place and many resolutions have been adopted dealing with purely domestic affairs, generally, it must be admitted, in the nature of protests against the actions of unpopular officials. The students have been freely criticized in the foreign press for the irresponsibility and lawlessness of their behavior, for the immaturity of their judgment, and for the visionary character, to put it moderately, of some of

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<sup>61</sup> Also referred to as "Chengchiatun."

their projects. Admitting the truth of these criticisms, the student movement must nevertheless be considered of prime importance to the cause of representative government in China as the first nationwide organized popular expression of opinion. Those who are taking part in it are drawn from all strata of society and the financial support accorded the movement has come from the great middle class, which in China, as in other countries, must be the main support of representative government, if it is to succeed. Moreover, while to western eyes the spectacle of school boys deciding the fate of nations is apt to appear ludicrous, it must not be forgotten that the educational class, the *litterati*, have been recognized as the leaders of Chinese thoughts and opinion for centuries, and that there is therefore nothing incongruous in Chinese eyes in the students voicing the sentiment of the people. Viewed in its broadest aspect, the student movement must be welcomed as a sign of a healthy interest being taken in their own government by the Chinese people.

Emphasis has been laid in previous reports on the complete breakdown of the authority of the Central Government, both in the North and in the South. No progress has been made toward remedying this state of affairs, and the administration of the country remains in the hands of the military governors of the provinces who continue to govern their respective jurisdictions more or less independently of any central control. This state of affairs is just as marked in the constitutionalist southern federation as in the frankly autocratic north. Viewed in their proper perspective the intrigues which occupy the attention alike of the Canton and Peking Governments are of no real importance and for this reason it is not proposed to enter into any discussion of them, except to the extent which has already been done as necessary to an understanding of the Peking Cabinet which still remains the only authority with which the foreign powers can deal.

The Northern Parliament, which concluded its regular session on August 30th, reconvened in extraordinary session on September 10th and remained sitting throughout the quarter. It assumes importance from time to time, on the occasion of the frequent cabinet crises, as the legal body through which the Anfu Club enforces its mandate in respect to the distribution of cabinet offices. In the intervals its proceedings are ignored alike by the Government and the public.

(2) *Attitude toward the war.*

The debates on the Shantung Clauses of the Peace Treaty in the United States Senate were followed with tense interest in China, and the refusal of the Senate to accept the Shantung settlement proposed by the Paris Conference gave the utmost satisfaction. The

Chinese press, it is believed without exception, gave prominence to expressions of thanks, and generally recognized that the Senate's action was inspired by the principle of abstract justice rather than by the fear that American interests were materially jeopardized. The Chinese Parliament and a number of the Chinese Assemblies passed resolutions of thanks, which were communicated to the Senate.

Opinion in China seems to be strongly opposed to a settlement of the Shantung question by direct negotiations between China and Japan. Indeed, so strong is the popular sentiment on this point that it is doubtful if any ordinary Chinese cabinet would have the courage to undertake negotiations. Unfortunately neither the journals nor the student bodies who voice the popular opposition to direct negotiations, appear to have any very clear idea as to how the question can be settled without negotiations with Japan. These patriots appear still to rely mainly on the hope of outside pressure being brought to bear on Japan, and fail to realize the urgent necessity of China taking some action to help herself. Meanwhile the whole question is being allowed to drift in characteristic Chinese fashion, with the Japanese becoming more firmly entrenched as time goes on.

In this connection it is worthy of note that from recent press disclosures it appears that the various British trade organizations in China have been as active and outspoken in their recommendations to their own authorities regarding Shantung as were the various American organizations. The British organizations did not, however, give the same measure of publicity to their resolutions and in consequence escaped a good deal of the adverse comment directed at the American action. It may be remarked that the British resolutions demanded the establishment of an international settlement at Tsingtau, the control of the terminal facilities by a non-Japanese body, and adequate guarantees regarding the administration of the Shantung Railway.

#### B. FOREIGN

##### (1) *Relations with foreign countries.*

Sino-Japanese questions continued to engross the Chinese to the practical exclusion of all other questions of foreign relations. The quarter opened with the boycott of Japanese goods, originated by the students as a protest against Japanese action in Shantung, still being vigorously enforced. Reports from various quarters of the country, including some distant interior points, indicate that, as a whole, the boycott continued effective during the quarter. In some areas, however, it was not so stringently enforced as during

the preceding quarter, if we may take the import statistics of Shanghai as a criterion. The following table which shows the imports into Shanghai of a number of staples of Japanese trade may be taken as an index of the effectiveness of the boycott as a whole:

BOYCOTT STATISTICS 1919

Article	Quantity imported into Shanghai				
	May	June	July	August	Sep- tember
Berlin wool.....Piculs..	180	Nil	24	131	108
Cotton Yarn.....do.....	12, 470	3, 099	2, 696	3, 380	3, 945
Paper.....do.....	21, 097	7, 956	3, 368	4, 509	7, 450
Cotton Piece Goods.....					
.....Pieces.....	866, 981	355, 585	236, 794	143, 798	166, 770
Umbrellas.....do.....	343, 500	49, 067	11, 880	6, 121	6, 480
Gunny bags.....do.....	1, 378, 416	474, 210	33, 000	54, 100	455, 867
Clothing.....Dozen.....	333, 186	12, 696	19, 667	2, 525	16, 342
Matches.....Gross.....	498, 575	115, 408	164, 283	122, 733	268, 658

As remarked above, the boycott originated with the students, and it is the student organizations which have kept it alive and made it effective. Reports from various parts of the country unfortunately leave us room for doubt that, in order to attain ends, the students have not hesitated to use both intimidation and force. The merchants as a class, and particularly those who had Japanese goods in stock, were anything but enthusiastic over the uncompromising attitude of the student organizations, and while the Chamber of Commerce generally gave a nominal assent to the student programme, many shops continued to sell, or try to sell, Japanese goods, with the result that there have been numerous clashes between the students and the authorities who appear to make sporadic attempts to keep up the student activities within bounds. The most serious of these clashes was in Canton when the students accused the large Chinese department stores of dealing in Japanese goods. They instituted a boycott of these stores, and finally, in the course of one of their demonstrations, came to blows with the employees of the Sincere Company. A small riot ensued, which the police endeavored to quell by attempting to arrest some of the demonstrating students. Finding themselves unable to effect the arrests, the police locked up a number of students in the Sincere Company's store over night with unfortunate results to the Company. Eventually the stores gave way, were fined by the student bodies, and were forced to publish apologies and promise to deal no further in "low grade" goods. During a demonstration in Shanghai some thirty shops were looted on sus-

picion of dealing in Japanese goods. In many cities the students have appointed "inspectors" to examine all goods arriving to prevent the import of Japanese goods. Their inspectors also examine the goods in stock in the shops and either seal up or confiscate such Japanese goods as they find. Bonfires of low grade goods have been common occurrences, particularly in Shanghai and Canton. In some places, notably Changsha (Hunan) and Hankow, the authorities appear to have been successful in keeping the student activities within legal limits.

There can be no doubt that the manner in which the boycott has been carried out gives the Japanese Government very good cause for complaint, and possibly ground for demanding compensation. In view of the illegal seizure of goods, the imposition by an organized body of fines on merchants for dealing in Japanese wares, the threats and intimidation used, the boycott can hardly be held to be a voluntary abstention from dealing in certain goods on the part of the merchants. There is no doubt that it is the duty of the Chinese Government to take the necessary steps to prevent Chinese merchants from being injured or persecuted for engaging in perfectly lawful business. (For a further discussion of the boycott see commercial section.<sup>62</sup>)

A serious clash between Chinese and Japanese took place in Foochow on November 16th. Inasmuch as Fukien has been claimed as a Japanese "sphere" for some years, on account of its proximity to Formosa, the anti-Japanese feeling in that province is particularly intense, and in both Amoy and Foochow the students were most active in their boycotting activities. In both of these cities there are considerable numbers of Formosan Chinese who are Japanese subjects, as well as ordinary Japanese. From the reports submitted by Mr. Hanson, Consul at Foochow, it appears that local Japanese merchants, irritated by the activities of the students in the boycott movement by their search for Japanese goods in the shops, and their attitude toward Chinese who continued to maintain relations with Japanese, engaged gangs of Formosan Chinese, nominally to protect their shops and to convoy shipments of Japanese merchandise, but in reality it is thought, to terrorize and overawe the students. On the day in question a number of the Japanese and of Formosan Chinese had been patrolling the bridge between the settlement and the city, and had been behaving in a most provocative way. Finally, toward evening, some students who attempted to pass the bridge on their way to the Y.M.C.A. building nearby, were set upon and beaten by this gang. An American teacher in the Y.M.C.A. who chanced to be passing, attempted to go to their assistance and was also at-

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<sup>62</sup> Not printed.

tacked and roughly handled. Two of the students were so severely injured as to be unable to make their escape, while the others fled to the Y.M.C.A. Building whither they were pursued by the Japanese and Formosans. Other students from the Y.M.C.A. joined to assist their fellows while the Chinese police came upon the scene to restore order. In the ensuing melee some of the attacking party, who were armed, fired on the police, injuring one police constable severely. A number of students were more or less severely injured and wounded by being beaten and stabbed. On the same evening there appears to have been a second incident in another part of the city, in which the Chinese police were the assailants, attacking and roughly handling two Japanese. Chinese feeling was at once aroused to fever pitch, while matters were not improved by the action of the Japanese in promptly despatching two war ships to Foochow and landing marines. From subsequent statements it would appear that the first reports of the landing of marines and their stationing within the Chinese city were much exaggerated, the facts being that a guard was placed over the Consulate, while some unarmed men were moved through the city on one occasion. The Chinese Government displayed more spirit than usual, and presented a series of demands to the Japanese Government covering the punishment of the perpetrators of the outrage, the indemnification of the injured, the removal of the Japanese Consul at Foochow, and an apology by the Consul to the Chinese authorities. The Japanese Government refused to accept the Chinese version of the incident and proposed a mixed commission to investigate the facts on the spot. Without withdrawing its demands the Chinese Government consented to this procedure and both nations at once despatched Commissioners to Foochow. At the close of the quarter the incident had not yet been settled.

One or two additional cases of the arrest of Chinese by Japanese *gendarmes* on the Railway Zone in Shantung were repeated during the quarter.

As has been noted in previous reports, the Japanese-owned Chinese press for some months had conducted a campaign of vilification against Great Britain, based on her reported designs on Thibet and adjacent Chinese territory—this is an obvious desire to draw a "red herring" across the Shantung trail. The British Legation finally issued an official statement on the matter, pointing out that the Chinese Government had made certain suggestions as to a settlement of the Thibetan question last May; that the British Government after consideration had expressed itself as prepared to accept the proposal if the Thibetans could be induced to accept them; and that subsequent negotiations were suspended at the

request of the Chinese Government, itself. The statement concluded by asserting that Great Britain had no direct interest in the matter, other than as a mediator, and her desire to see peace restored in a state which was a neighbor of India.

The status of the Germans and the Austrians on their return to China gave rise to considerable discussion of the question of extraterritoriality in China and the opening of the interior to foreign trade and residence, which it is assumed would follow such a step. Point was given to the discussion by a resolution of the Conference of British Chambers of Commerce urging the abolition of extraterritoriality so soon as possible, but conditioning it on the creation of an effective and modern judiciary. The resolution carried a rider recommending that British assistance be given in China in reorganizing her courts. The foreign merchants are beginning to realize that a system which confines their business to a few treaty ports is far from desirable, and it is probable that the feeling in favor of the abolition of extraterritoriality will grow rapidly, more especially if the returning Germans, Austrians and citizens of the various new states, to none of whom will extraterritoriality privileges be granted, are permitted to reside and acquire property outside of treaty port areas. In actual practice the Japanese frankly disregard the treaty restrictions in trade and residence in the interior, and are found in considerable colonies in all the large Chinese cities; while many of the large foreign firms conduct their own business in the interior through native "consignees", in whose names property is held. Moreover, traveling foreign inspectors, salesmen and purchasing agents are becoming common throughout the country. It is self evident that extraterritoriality control designed to meet the needs of small foreign communities living apart in special settlements can never function satisfactorily when those subject to it are numbered in thousands, and scattered over so vast an area as China. On the other hand, there are few foreign residents of many years experience in China who would care to submit themselves to Chinese jurisdiction under the chaotic administrative conditions now obtaining in the country. Nor does the Chinese Government appear to have acted discreetly in the matter of its reformed judiciary; the modern courts, one of whose chief *raison d'être* was as a preparation for the abolition of extraterritoriality, commenced their career by refusing to grant treaty rights to foreign plaintiffs, with the result that mixed cases have been withdrawn from their jurisdiction, while popular Chinese opinion seems to write them down as more corrupt than the Magistrate's courts which they superseded. The solution would seem to be in a probationary period of Mixed Courts functioning in the name of the Chinese Government, and admin-

istering Chinese law, but with both native and foreign judges sitting, the latter holding their appointments from the Chinese Government, and not from the various foreign governments. This would serve the dual purpose of assuring substantial justice to foreign litigants and offenders, and at the same time of affording an opportunity of training a competent Chinese judiciary against the time when China should assume full control.

On October 8, 1919, China exchanged ratifications of a treaty with Switzerland signed on June 13th, 1918, and ratified July 2nd, 1918.

On December 3rd, 1919, China signed a treaty with Bolivia.

In Shanghai, the question of Chinese representation in the Municipal Council again became acute. As a means of giving point to their demands, a large number of the Chinese rate payers, under the leadership of certain trade organizations, refused to pay the municipal rates and taxes pending a settlement of the question. The agitation having assumed serious proportions a Committee of responsible Chinese was invited to meet the British Consul General, who explained the legal position to them and promised to use his endeavors to further Chinese representation in the Council through advisory members, pending such modification of the Land Regulations as might eventually be carried out, and in view of their representations the agitation subsided. The municipal government of Shanghai is carried out under a set of Land Regulations drawn up by the Chinese Government in consultation with the Diplomatic Body. The last revision of these regulations took place many years ago, and it is generally admitted that some changes therein are desirable to meet the changed conditions of recent years. Under the Land Regulations Chinese have no vote and therefore are without representation on the Council. The Shanghai Chinese apparently failed to realize, however, that the Shanghai local authorities, either foreign or Chinese, are without authority to amend the Land Regulations as such amendment must be carried out by the Central Government in consultation with the Diplomatic Body. The proper procedure, and the one ultimately followed, is for the Chinese to lay the case before their own authorities with the request that the latter move the Diplomatic Body to assent to such amendment of the Land Regulations as may be necessary to give effect to the changes which it is desired to make. While on the face of it the Chinese desire seems reasonable and just there are a number of considerations which must be kept in mind. Most important of all, the settlement has been set apart by the Chinese Government as a place of residence for foreigners; in the original conception of the settlement Chinese residents had no part, and naturally no provi-



sion was made for them to take part in the government. Further, there is no question but that the remarkable influx of Chinese into the settlement was due primarily to the fact that they realized the advantages arising from the foreign administration of the settlement, and voluntarily elected to take up their residence there in full knowledge of the fact that Chinese residents enjoyed no share in the government thereof. Finally, were Chinese rate payers put on exactly the same footing as foreigners, the control of the municipality would at once pass into their hands by virtue of their overwhelming majority and the fundamental reason for the existence of the settlement would be violated. To be fair it is not thought that the Chinese rate payers are blind to these considerations or that they will insist on an equal franchise. It is probable that a compromise under which the Chinese would be entitled to elect a fixed number of Chinese Councillors would satisfy them. Some such arrangement seems desirable not only as a means of satisfying the just aspiration of the Chinese residents, but also in view of the growing danger of Japanese control of the settlement. The Japanese population has shown an amazing growth of recent years, and while the Land Regulations are so framed as to give to property owners a disproportionately great share in the local government, the increase in the Japanese colony has not been without a considerable increase in Japanese owned property, so that the fear of Japanese domination is not without solid foundation. So long as the Japanese continue to pursue the policy of the past few years, there are few foreigners in China who would not prefer a mixed Chinese and foreign administration to a purely foreign control dominated by Japanese. It is probable that the Chinese Government may raise the question in the near future.

No progress was made during the quarter toward a solution of the mixed Court or Settlement Extension questions mentioned in the last quarter's report.

With the object of furthering Sino-French relations the French authorities have been active in seeking to induce Chinese desiring to study abroad to select France. As a result of these efforts a party of one hundred and fifty students sailed for France during the quarter. Every facility was offered them including reduced steamship fares and opportunities for self support during the period of their studies in France; especial facilities were to be provided for those seeking technical education; work which would supplement their studies and at the same time would enable them to support themselves was to be provided in French machine shops. The French action seems well conceived and sound. Not only is the returned student an ardent exponent of the culture of the land

wherein he has received his education, but, especially in the case of technical students, he is a very efficient sales agent for the products of that country. In his subsequent career he is bound to be prejudiced in favor of the methods, standards and tools with which he has become familiar during the period of his education. Not a little of the popularity of Americans in China has been due to the influence of returned American students, and the question suggests itself if it would not be possible to relax the requirements of the Chinese immigration regulations somewhat to afford a greater freedom to self supporting Chinese students, in the United States. The Chinese press, commenting on the increasing number of Chinese students going to France, points out that Japan is no longer a popular country amongst Chinese seeking an education abroad; that an education in the United States is possible only for those well supplied with funds; that the unsympathetic and overbearing attitude of the British prejudices Chinese against England; while in France every facility is given and Chinese are well received and encouraged to go there. In this connection it should be noted that the Conference of British Chambers of Commerce recommended to the British Government that a portion at least of the Boxer indemnity be remitted on condition that the part so remitted be applied to the education of Chinese in the United Kingdom, either as regular students or by means of traveling scholarships.

(2) *Attitude toward United States.*

The friendly feeling toward the United States engendered by the action of the Senate in refusing to accept the Shantung settlement has already been noted. In general there remains little to add under this heading to the remarks made in previous reports.

During November Peking was visited by a party of American bankers consisting of Mr. Galen Stone, of Hayden, Stone and Company; Mr. Albert Wiggin, of the Chase National Bank; and Mr. E. B. Bruce, of the Pacific Development Company, in connection with the formation of the Chinese-American Bank. Partly as a result of the popularity enjoyed by America at the moment, and partly in the hope that the visit of these bankers presaged active American financial assistance to China, the Chinese, both officials and merchants, accorded them a remarkably cordial welcome. Admiral Gleaves, commanding the Asiatic fleet, visited Peking late in December, and also was received with great cordiality. By special request of the President of China Admiral Gleaves prolonged his visit to enable him to partake of the President's hospitality.

With reference to the notes in the last quarterly report regarding American owned Chinese newspapers, it may be mentioned that serious trouble regarding the Tientsin edition of the *Yi Shih Pao* was

only narrowly avoided. This paper, in common with various other Tientsin papers, commented rather strongly on the actions of the Tientsin Chief of Police in connection with the suppression of student demonstrations. In consequence the Chief of Police threatened to suppress the paper by force if necessary should it repeat its offence. A very strong stand had to be taken by the American Consular authorities to prevent the Chief of Police from carrying his threat into action. An identical incident took place between the Chief of Police and the Chinese editor of the British owned Peking and Tientsin *Times*.

The Shanghai papers note the large number of Americans arriving in Shanghai to engage in business. The American communities in Tientsin and Peking also show a remarkable growth, and it is probable that this influx of Americans is taking place all over China. While this evidence of American interest in China is a matter for congratulation, a note of caution should be sounded as to the wisdom of American firms without sufficient financial support, and without experienced direction entering the Chinese markets.

#### C. PROPAGANDA

During the quarter two new Japanese owned dailies, published in English, made their appearance in North China. These two papers are frankly subsidized and are devoted to promoting Japanese interests in China. It is doubtful whether any results sufficient to justify the outlay will be obtained despite the fact that the papers, particularly the *Standard*, published in Peking, are well got up and well edited. There are now being published in Peking and Tientsin at least ten foreign daily journals to serve a foreign population of only a few thousand. With two exceptions probably none of these papers could exist without subsidies. Their circulation is small and their influence limited.

Of interest to Americans is the constantly increasing amount of American news appearing in the public press, both native and foreign. This is in part due to improved news facilities, and in part a growing realization in China of the important position occupied by the United States in world affairs.

Anti-American and anti-British propaganda in Japanese owned Chinese papers continued to be prominent. America's Consortium program especially was singled out for bitter attacks, as was England's Thibetan policy. It is doubtful if the propaganda has much effect on popular opinion generally, although one finds reflections of such newspaper comment in the expressions of opinion of the pro-Japanese elements in Peking public life.

## [II.] ECONOMIC INFORMATION

Despite foreign and domestic political difficulties, misgovernment, and the critical condition of national finance, it is gratifying to find evidences of improved economic conditions in many parts of the country. Cotton spinning and weaving appear to be on the way to become a great national industry. Mills are springing up all over the country, the manufacturers' agents have sold up their full capacity of mill machinery for months in advance, while existing mills are making large profits. Of the new mills the great majority are Chinese owned. Moreover, while the foreign owned mills are centralized in Shanghai, the native mills are being located practically wherever cotton is grown. In this connection, a correspondent of the *North China Daily News* gives the following interesting figures: there are at present in operation in China about 1,500,000 spindles; to supply China's demand for yarn would require about 5,000,000 spindles; a single American firm sold during the preceding six months about 400,000 spindles, all to Chinese purchasers. In the course of an open discussion of the cotton industry in the same paper, it is stated and not contradicted, that spinners in China are making a profit of Tls.60. to Tls.70. per bale of yarn. From every point of view the future for this industry appears to be remarkably good.

Nor is the growing of cotton being neglected. The raw cotton market is assuming a very large importance in Shanghai, those interested in cotton, both Chinese and foreign, have combined to secure the services of a cotton growing expert from the United States, to be attached to Nanking University, to study cotton cultural methods in China, and to give advice as to the best methods to follow in improving Chinese cotton. In Shansi, Governor Yen, has inaugurated a series of exhibitions at each district city of cotton grown in the district, giving prizes for the best exhibits. Unfortunately, from press reports, it appears that speculation in forward deliveries of Chinese cotton has assumed large proportions in Shanghai, especially on the recently established Japanese produce exchange to the detriment of legitimate trading interests. The year's cotton crop, which came on the market during the quarter, was somewhat below the average both in quality and quantity. Nevertheless, owing partly to the gambling above mentioned, and partly to the tendency of the farmers to hold off for better prices, the market opened strong in the early part of the quarter. Tungchow cotton, which is accepted as standard, being quoted at Taels 33 per picul. During October, as the shortness of the crop became more manifest, prices improved somewhat, Tungchow cotton rising to Taels 35 per picul. At this

price it was impossible for exporters to do business owing to the high exchange, but despite the lack of demand prices remained at this high level until well in December, when, as a result of the lack of demand already added to the tightness of the money market, prices fell to Taels 32 and ultimately to Taels 30. The Japanese exchange mentioned above first listed cotton futures in November, heavy gambling forward immediately resulted, April deliveries being quoted Tls.4 above spot cotton. The Chinese Cotton Guild resented this artificial juggling of the market and passed a resolution forbidding its members under penalty of suspension from the Guild from dealing in forward cotton. Local mills were not heavy buyers during the quarter, having already filled their requirements up to May/June, 1920, and as already remarked, export at ruling prices was impossible. It would appear that Shanghai has gone "cotton mad" and possibilities are not wanting of a general slump in cotton shares, which, in view of the extremely tight money market, would have disastrous results.

Generally speaking the crops in the Lower Yangtze Valley, particularly the rice crop, which was the largest in years, were excellent, while in Hunan and the northern plain they varied from fair to poor. The sesamum seed crop was moved rapidly at fair prices.

It will be recalled that during the early summer of 1919 the American and British Legations addressed protests to the Chinese Government regarding the renewed production of opium in China. In September the Chinese Government replied claiming that the cultivation of opium had been entirely eradicated. It is a matter of regret that this reply is quite contrary to the facts. Detailed reports from various sources show beyond dispute that opium is being extensively grown in Kweichou, Fukien, Hunan, Szechuan and Shensi, generally with official sanction, and in some cases under official pressure. In Hunan it appears that the Military Governor ordered opium grown, promising protection to the farmers in return for the payment of a tax, which, for the sake of appearances, was to be called a fine. In Shensi, also, there is no question that the production of opium received official encouragement from the highest provincial authorities. In Szechuan, the proof is not so clear that the high provincial authorities are responsible for the recrudescence of opium growing, but there is no question that the local military authorities throughout a large part of the province, who are mainly Yunnanese, directly encouraged it. The Japanese authorities took a much needed step in the right direction by adding heroin to the list of habit-forming drugs to deal in which in China is an offence. Smuggling opium derivations still goes on in large proportions. While most of the drugs so smuggled are shipped into China from

Japan, or from Japanese leased territories in China, they also originate largely in other countries, and it is suggested that the only way effectively to control this is for each country to enact adequate legislation controlling the export of habit-forming drugs.

From officially compiled figures it is claimed that there are now in China 118,952 lower primary schools, with 3,700,000 students; 7,862 higher primary schools with 386,350 students; and 211 Lower District Normal Schools, with 27,975 students. Unfortunately the chronic lack of funds prevents any adequate educational program being undertaken by the Central Government. It is a melancholy fact that the teachers in the Government schools in Peking were forced to go on a strike during the quarter as a means of voicing their protest against the continued failure of the Government to pay their salaries. In a number of the provinces educational matters are, however, in a much better way. The proceedings of the Chekiang and Kiangsu Provincial Assemblies show a keen and intelligent interest in educational reform and progress. In Chekiang, for example, a bill was introduced for providing a regular number of traveling scholarships for teachers to enable them to travel abroad to study educational methods in other countries. Kiangsu sent a commission to the neighboring province of Chekiang to study the educational methods in vogue there. In Shensi [*Shansi?*], Governor Yen, is doing all in his power to encourage primary school education; the greatest difficulty is said to be to find qualified teachers.

On November 14th there was published a Presidential Mandate on road construction, defining and prescribing the requirements of the several classes of roads, which were divided into national, provincial, district and village roads. While this shows a commendable spirit it is devoid of much practical significance, and no specific roads were authorized, and indeed none can be until the Government finds itself in a better financial position. A few more miles of modern country roads were opened in the vicinity of Peking and the survey of a motor road between Tientsin and Peking was commenced; but these roads are of little economic importance as they are closed to industrial traffic. The problem of building modern roads in China for industrial purposes is a difficult one, as the cart in universal use in China is a two-wheeled vehicle carrying a load of a ton or more on one inch treads. No modern road could long stand traffic of this sort. It is to be regretted, however, that the Peking authorities have made no attempt whatever to solve the problem either by the introduction of a new type of vehicle, or by the provision of special facilities for carts such as stone block tracks along the new roads. The net result of the road building program has been to increase the difficulties of industrial transportation as the carts are

forbidden on the new roads, which in many cases follow the routes of the old cart roads, and drain into them, making the latter impassable quagmires during rainy weather.

A considerable impetus has been given to the development of home industries by the boycott. Mention has been made of the development of the cotton industry, which bears, however, no close relation to the boycott. Other new ventures directly attributable to the boycott selected at random from amongst many others are an umbrella factory at Wusih, Kiangsu; a matting factory at Wenchow; a glass factory at Chapei (Shanghai) and a number of match factories. Hand in hand with the anti-Japanese boycott propaganda has gone a propaganda in favor of using native manufactures whenever possible. It is to be hoped that some practical progress will result.

As has probably been noticed, most of the industrial development of the past few years has centered in and around Shanghai. Under the circumstances it is not surprising, therefore, to find industrial unrest commencing to make itself felt. During the quarter Shanghai suffered from an epidemic of small strikes, resulting, as a rule, in an increase of workers wages from ten to thirty percent. Some interesting figures recently published on the cost of living in Shanghai go to explain this. Thus we find that rice, which in the days before foreign intercourse was considered to be at famine prices at \$2.00 per picul, has averaged during the past five years between \$7 and \$9 per picul, standing at \$9.20 in October last. Rent during the last seven years has increased in Shanghai from 30% to 60%; the cost of cotton and cotton goods from 40% to 50%; of silk goods 100%; of petroleum 50%; of candles 50%; of coal 150%; of firewood 30% to 40%. The following table shows the average cost of the principal food stuffs in Shanghai in 1913 and 1919:

	1913	1919
Beef per Lb.....	cts. 18	cts. 19
Mutton per lb.....	18	19
Pork " ".....	18	25
Fish " ".....	25	33
Samli " ".....	26	45
Milk (foreign) per bot.....	18	20
" (Chinese) " ".....	15	18
Eggs, per doz.....	16	18
Flour, American, per 50 Lbs.....	300.	565.
" Chinese " ".....	213.	260.
Coal, kitchen, per ton.....	Tls.9.	Tls.19.30
" stove " ".....	15.50	21.65

In discussing these figures the *North China Herald* points out that while in some cases the war has been responsible the more potent factor is a general betterment in the Chinese standard of living traceable largely to foreign trade which has introduced to

the Chinese many luxuries formerly unknown. The tendency to a higher standard of living is more pronounced in centers where Chinese came largely into contact with foreigners, such as the bigger treaty ports. Returned students, and, in the South, returned emigrants, also do their share. Finally, attention is called to the growth of industrialism in a country which has for centuries been mainly agricultural. It is an interesting speculation as to whether the competition of Chinese cheap labor will not ultimately adjust itself by a gradually increasing standard of living coupled with which of necessity will be an increased standard of wages.

Shipbuilding has been steadily expanding in Shanghai for a number of years. One of the most important purely Chinese yards, the Nicholas Tsu Engineering Works, was reorganized during the quarter as a Sino-French concern, and is now known as the Société Franco-Chinoise de Constructions Métalliques et Mécaniques. The Banque Industrielle de Chine undertook the flotation of the new company, which has a capital of Tls.1,200,000. The Company's work shops are to be rebuilt and enlarged with French technical assistance. The management is joint Sino-French. As showing the extent of the ship building industry in Shanghai it may be mentioned that at the beginning of the quarter there were eleven ships, totalling 63,000 dead weight tons under construction in Shanghai yards.

### [III.] FINANCIAL

It will be recalled that in the last Quarterly Report mention was made of a despatch to America by the Chinese Government of Mr. Hsü En-Yuan to complete with the Continental and Commercial Bank of Chicago a negotiation inaugurated during 1917 by Mr. Abbott for a further loan of twenty-five million dollars secured on the Wine and Tobacco tax.<sup>68</sup> Mr. Hsu was instructed further to renew the five million dollar loan made that year by the same Bank on the same security. Mr. Abbott at this time suggested the inclusion of the salt surplus as additional security, which was agreed upon by Mr. Hsu. It was understood that upon the formation of the Consortium this loan was to be taken over by it and that the present advance was made solely on account of the urgent emergency of the Chinese Government. Subsequent to this time a British loan having been floated in the United States, which was not enthusiastically taken up by investors, the Board of Directors of the Continental and Commercial Bank declined to proceed with the Chinese loan and disapproved the proposed contract.

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<sup>68</sup> See p. 388.



Mr. Hsu had a double mission in going to America as he was also negotiating the formation of a Chinese-American Bank, and had reached a satisfactory understanding in connection therewith with a group headed by Mr. Galen Stone, of Hayden, Stone & Company, Mr. Albert Wiggin, of the Chase National Bank, and Mr. E. B. Bruce, of the Pacific Development Corporation.

While the Chicago Bank had approved the renewal of the five million dollar loan of 1917, upon its refusal to underwrite the proposed twenty-five million dollar additional loan, this latter was taken over by the Pacific Development Corporation, and a preliminary agreement was made between Mr. Hsu, representing the Chinese Government, and Mr. Stone and Mr. Bruce, representing the Pacific Development Corporation, which ultimately, on November 26th, was confirmed by a formal agreement signed by the Premier and Minister of Finance. This commitment was evidently entered into by Mr. Bruce and Mr. Stone with the assumption that it would meet with the approval of the Department of State. In view of the fact, however, that in the opinion of the Department the needs of the Chinese Government were not so pressing as to demand an immediate advance, and that it was in consultation with the British, French and Japanese Governments in regard to an immediate advance on the Consortium, this loan was not approved by the Department of State and the interested Governments were so notified. It may be noted in this connection that under the terms of the Pacific Development Corporation Loan Agreement an American Associate Inspector General of the Wine and Tobacco Administration was to be appointed, and upon the proposal of the American Bankers Mr. C. L. L. Williams' name was approved by the Chinese Government. A protest against the appointment of an American Associate Inspector General was made by the French Legation based on the undefined rights [of?] "liberty of action" granted to the French Banque Industrielle de Chine in case of default by the Chinese Government on sums loaned by that Bank secured on the Wine and Tobacco Revenue. These sums were loaned under two agreements: The Port of Pukow Loan Agreement and the Ching-Yu Railway Loan Agreement. No mention is made of the Wine and Tobacco revenue as securities in either of the principal agreements, but Annex 4 of the Pukow Loan Agreement pledges the revenue arising from the sale of alcohol north of the Yangtze as security for the loan; while it is stated that in [*sic*] an unpublished Annex to the Ching-Yu Railway Agreement pledges the Wine and Tobacco revenue generally as security for advances made under that agreement.

There were no other foreign loans of importance during the quarter. A British financing loan to cover an aeroplane contract was floated but netted no cash to the Government.

General Hsu Shu-cheng issued the prospectus of a domestic loan of fifty million dollars (\$50,000,000.) for Mongolian development in connection with the proposal to form a Mongolian Development Bank but no further steps were taken with the loan during the quarter.

The Government continued to borrow small amounts at ruinous interest, where and when it could, principally from the native banks in Peking and Tientsin.

. . . . .

[B.] FINANCIAL CONDITION IN GENERAL

Mention has been made in previous reports of the proposal to form a Chinese-American Bank. The Government granted a charter to this end early in the year. Negotiations were carried on for some months by a Chinese group represented by Mr. Chien Neng Hsun, ex-Premier, and Mr. Hsu En-yuan, and an American group represented by the Pacific Development Corporation. An agreement in principle having been reached, Mr. Hsu proceeded to America to discuss details of organization with the American group, and these having been arranged satisfactorily, he returned to China accompanied by Mr. Galen Stone of Hayden, Stone & Company; Mr. Albert Wiggin, of the Chase National Bank, and Mr. E. B. Bruce, of the Pacific Development Corporation, each of which firms took one-third of the American share of the capital. The Bank was formally organized in December, and commenced business in Peking the following month. It is unique, in brief the first important Sino-foreign enterprise conducted under a Chinese charter. As a Chinese corporation it enjoys rights of trade and of owning property in the interior denied to foreign firms. It should therefore be in a most favorable position to carry out the program of industrial development, which is the prime object of the promoters. Under the original charter, the Bank's officers consist of a Chinese President, an American (First) Vice President, and a Chinese (Second) Vice President, a Board of Directors of six Chinese and five Americans, and a Board of Superintendents of three Americans and two Chinese. By a supplemental agreement made between all the original shareholders, approved by the Chinese Government as having the same legal force as the original charter, the executive control of the Bank is vested in a Finance Committee consisting of the Chinese President and Vice President, and the American Vice President and two American directors. The capital of the Bank is Gold \$10,000,000., half paid up, the Chinese and the American shares being equal. The future operations of this experiment will be watched with great interest.

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ORGANIZATION OF A NEW INTERNATIONAL FINANCIAL  
CONSORTIUM <sup>64</sup>

**Resolutions and Draft Agreement Adopted by a Conference of Bankers at Paris, May 12, 1919—Japanese Reservations as to Rights in Southern Manchuria and Eastern Inner Mongolia; Refusal of the Other Participating Powers to Admit Such Reservations—Consideration of an American-British-French Consortium—Agreement of the United States to the Exclusion of Specific Japanese Enterprises from the Consortium**

893.51/2084

*The Acting Secretary of State to the American Group*

WASHINGTON, December 18, 1918.

GENTLEMEN: Late advices from China seem to justify the belief that decided steps are being taken to bring about a reunited government. Also that such a government may be able in the reasonably near future to render the guarantees upon which any financial assistance to China must be based. It has been suggested that one of the first necessary steps in such a reorganization would be the disbandment of troops and the formation of an adequate force of military police. This would no doubt necessitate a preliminary advance, pending the completion of the working details of the new consortium, which it is hoped may be speedily effected. The option for the currency loan has recently been extended for six months.

In light of the above facts, would it not be advisable for the American Banking Group to send a representative to Peking to inform himself fully as to conditions existing and arising, consult and advise with the representatives of the banking groups of the other interested powers already on the ground, and with authority to act when the opportunity and necessity arises?

Should this course of action meet with your approval, it is suggested that your representative might with advantage come to Washington for an interview with this Department before going out to China.

I am [etc.]

FRANK L. POLK

893.51/2082 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, December 27, 1918, 6 p.m.

[Received 11.34 p.m.]

Your December 2nd, 5 p.m.<sup>65</sup> The British Government has instructed the British Minister that the Treasury is not in a position at the present time to make any engagements with respect to giving financial assistance to China. Japanese and French Ministers are

<sup>64</sup> Continued from *Foreign Relations*, 1918, pp. 169-199.

<sup>65</sup> Not printed.

ready to join in a promise of assistance. I had understood that arrangements had been made for America, temporarily, to carry the British share of public financing in China. Unless such an arrangement has been or can be completed it would be necessary for the United States, France, and Japan to do the large financing, which will shortly be necessary upon restoration of Chinese unity, in order to place Chinese public affairs on a firm basis. As everything here depends on such effective action the definite information [on] this question is of the utmost importance.

I have the honor to urge that the representative of the American Government [*group*] proceed to China without delay.

REINSCH

893.51/2089

*The American Group to the Acting Secretary of State*

NEW YORK, *January 3, 1919.*

[*Received January 4.*]

SIR: This will acknowledge receipt of your letter of December 18th, 1918, in regard to sending to China a representative of "The American Group" and will advise you that the matter has been carefully considered by The American Group. We have decided to send Mr. John Jay Abbott of the Continental and Commercial Trust and Savings Bank of Chicago, a member of "The American Group", to investigate and report upon financial conditions in China. Mr. Abbott proposes to leave in the near future. We expect on Monday to make a brief public announcement of Mr. Abbott's departure, in the form which has, we understand, already been approved by Mr. Long.<sup>66</sup>

With renewed assurance [etc.]

J. P. MORGAN & Co.

*For "The American Group"*

893.51/2082 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, *January 4, 1919, 2 p.m.*

Your December 27, 6 p.m.

The American Group in October last stated their willingness to assist in carrying the shares of the British and French Groups in connection with loans to be made to China by the new International Consortium while circumstances were such as to prevent their more active participation. Any financial assistance to China must of

<sup>66</sup> Breckinridge Long, Third Assistant Secretary of State.

course be through the American Group acting in conjunction with the British, French and Japanese Groups as already fully set forth in previous instructions.

Mr. John Jay Abbott has been chosen by the American Group to represent it and he will leave for China in the near future. This is for your confidential information until formal announcement is made by the bankers.

Please cable fully all information available concerning terms under which Baron Sakatani has assumed office of Financial Adviser.<sup>67</sup> Japanese have said nothing to this government on the subject.

Also advise what reply has been received from Minister of Finance to Legation's communication of September 27, 1918,<sup>68</sup> concerning foreign loans based on the security of the wine and tobacco revenue.

POLK

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893.51/2095a : Telegram

*The Acting Secretary of State to the Ambassador in Japan (Morris)*

WASHINGTON, January 17, 1919, 6 p.m.

Referring to Peking's January 11, 1 p.m.,<sup>69</sup> concerning necessity of financial assistance to China to enable Government to demobilize and disband military forces, I believe a very necessary step to meet the situation is the immediate completion of the international Consortium now under discussion. We are still urging matter here with British, French and Japanese Embassies with only general encouragement.<sup>70</sup> Mr. John Jay Abbott is now on his way to China as the representative of the American Group and will be in Tokyo some time in February. Please render him every assistance possible.

POLK

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893.51/2106 : Telegram

*The Ambassador in Great Britain (Davis) to the Acting Secretary of State*

LONDON, January 31, 1919, 6 p.m.

[Received 6.24 p.m.]

676. Your 727 January 18th, noon.<sup>71</sup> I understand that the attitude of the British Government towards the completion of the International Consortium now under discussion, has not in the past been favorable. It had been thought here that, owing to the inclusion of industrial loans in the proposed agreement, the American group would consist of industrial as well as financial institutions and that

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<sup>67</sup> See pp. 556 ff.

<sup>68</sup> Not printed.

<sup>69</sup> *Ante*, p. 293.

<sup>70</sup> See telegram of Jan. 4 to the Minister in China, p. 567.

<sup>71</sup> Not found in Department files.

this would result in a monopoly of all business both financial and industrial. Foreign Office did not favor joining a consortium which might involve support of a monopoly which they could not justify. Morgan, who I understand will take up this matter in Paris also next week, has explained here that there was no thought of such monopoly but that the plan now under consideration has to do with financial affairs only. This explanation seems to have given satisfaction and it is hoped the matter will now receive favorable consideration in Great Britain.

Hukuang loan belonging to the original four powers, United States, Great Britain, France and Germany, feeling here is that the transference of German interests to Japan should only be offered to Japanese as part of the whole transaction and should be made as a concession and part of the advantage Japan would receive from coming into the consortium.<sup>72</sup>

DAVIS

893.51/2117 : Telegram

*The Chargé in Japan (MacMurray) to the Acting Secretary of State*

TOKYO, *February 16, 1919, midnight.*

[*Received February 16, 8.55 p.m.*]

The following from Abbott for the particular attention [Third] Assistant Secretary of State.

As a result of conferences with the Minister of Finance and the Acting Minister for Foreign Affairs they stated that they have no diplomatic objection and cordially approve of the American plan in principle. They will recommend the Cabinet concur and take appropriate action referring the subject to the bankers to work out details and advising Washington, London, Paris. They agree that both political and industrial loans are to be included and also agree to the surrender of options and the recasting of unfair agreements. Four power group is to supervise all undertakings and a conference of representatives of groups at New York is to arrange details.

A place must be reserved for the Russian group when a recognized government is established. Russian Ambassador last September filed a vigorous protest of which the Japanese Government took note.

Exception is to be made in the case of small undertakings to be limited by the amount of contract, say a quarter million dollars gold, subject to the regulations of the four power group.

I am to have a conference tomorrow with Premier Hara and leave about the 21st for Shanghai. Please advise Lamont.<sup>73</sup> Cable any suggestions.

<sup>72</sup> See telegram of Jan. 4 to the Minister in China, p. 567.

<sup>73</sup> Thomas William Lamont, chairman of American group.

Tokyo and Osaka are expecting large failures, perhaps including banks in consequence of drop if [*sic*] in material values and over extension of credit and unexpected armistice.

Answer in care of Embassy.

MACMURRAY

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893.51/2132d : Telegram

*The Acting Secretary of State to the Ambassador in Great Britain (Davis)*<sup>74</sup>

WASHINGTON, February 21, 1919, 4 p.m.

4590. As a result of various conferences concerning the practical working of the proposed international consortium it has been suggested that the question as to what joint agreements<sup>75</sup> should be included and what options surrendered could be most easily settled through negotiations between the four financial groups, their conclusions to be of course subject to the approval of their respective governments. This suggestion has the approval of the Department and the representative of the American Group has been so advised. Please communicate this information to the Government to which you are accredited and request it take similar action as regards its financial group, if it sees no objection to the proposed procedure. The Department believes this is a very practical forward step at a time when the situation in the Far East renders it more important than ever that a general agreement be reached regarding financial assistance to China, and wishes to emphasize the point that in the judgment of the various financial groups the method which we have hitherto followed of attempting to have the Governments settle beforehand questions as to options and so forth may result in still further delay in the active work of the proposed consortium.

Repeat to Embassy, Paris, as No. 7488 for information.

PHILLIPS

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893.51/2147 : Telegram

*The Chargé in Japan (MacMurray) to the Acting Secretary of State*

TOKYO, March 10, 1919, 5 p.m.

[Received March 10, 4.15 p.m.]

Kokusai local service published evening 8th instant following statement of Prime Minister:

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<sup>74</sup> See last sentence for instruction to repeat to Paris. The same telegram, except for the last sentence, sent on the same date to the Chargé in Japan, with instructions to repeat to Peking for information.

<sup>75</sup> According to a telegram to the Ambassador in Japan, Mar. 15, 7 p.m., this should have read "loan agreements." (File No. 893.51/2150.)

"Apropos of Mr. Abbott's visit to China there seem to be some who regard him as representing American capitalists and having a plan for attempting great economic activities in China by ousting and restricting Japan."<sup>6</sup> I know that such is unequivocally untrue and regret that there are still mischief makers bent upon estranging the relations of Japan and America.

When he was here on his way to China I met him personally and freely exchanged views on the America-Japan relations on the investments in China. Minister of Foreign Affairs and of Finance also had frank conversations with him. Particularly Mr. Abbott when we met him expressed the earnest desire on the part of all the banks for the co-operation of Japan and America on investments in China. Needless to say the joint investment of Japanese and American capital in China is what has been wished for by Japan. Not only is this the best step for both Japan and America but it harmonizes at the same time with the true and permanent interests of China. I believe that Mr. Abbott's visit to the Far East this time would mark a new epoch in co-operation of American and Japanese [capitalists?]. The return of American bankers group to the financial syndicate for furnishing loans to China is what Japan has been looking for and more than once asked the Americans to do so. I think the visit of Mr. Abbott would prove an effective means of realizing it."

MACMURRAY

893.51/2149 : Telegram

*The Chargé in Japan (MacMurray) to the Acting Secretary of State*

TOKYO, March 11, 1919, 6 p.m.

[Received March 14, 5.30 a.m.]

Your telegram of February 21st, 4 p.m.<sup>7</sup> Vice Minister for Foreign Affairs advises me that his Government has entrusted to the Japanese financial group the working out in the first instance in consultation with the other groups of the technical details of their cooperation in China business.

MACMURRAY

893.51/2117 : Telegram

*The Acting Secretary of State to the Ambassador in Japan (Morris)*

WASHINGTON, March 19, 1919, 7 p.m.

Your February 16, midnight.

Department agrees with the suggestion of the Japanese Government that conference of representatives of banking groups be held in New York to arrange details of consortium operation and thinks that negotiations have reached the point where an early meeting is advisable and necessary. In line with that suggestion you may

<sup>6</sup> See p. 687.

<sup>7</sup> See footnote 74, p. 424.



approach the Foreign Office to the end that Japanese Group appoint a representative to attend such a meeting to be held in New York on May 15th. An early expression of agreement to the above will be appreciated in order that plans may be made accordingly.

Department's telegram today to Peking will be repeated to you from there.<sup>78</sup>

POLK

893.51/2161

*The Ambassador in Great Britain (Davis) to the Acting Secretary of State*

No. 432

LONDON, *March 19, 1919.*

[*Received April 2.*]

SIR: With reference to the Department's telegram No. 4590 of February 21, 4 p.m., and previous correspondence respecting the formation of a new International Consortium to provide loans to China, I have the honor to transmit herewith enclosed a copy of a Note I have just received from the Foreign Office, to the effect that the British Government have decided to authorise a British group to enter the Consortium under the conditions suggested by the Government of the United States, and setting forth the scheme as it is understood by the British Government.

In dealing with the conditions under which the British Government accept the proposals reference is made to a Note, dated the 14th of August last from the Foreign Office and for the guidance of the Department I venture to point out that a copy of that Note was transmitted to Washington under cover of despatch No. 9710 of August 16th last.<sup>79</sup>

A copy of the attached Note has been forwarded to the American Commission to Negotiate Peace to-day, despatch No. 102.

I have [etc.]

JOHN W. DAVIS

[Enclosure]

*The British Acting Secretary of State for Foreign Affairs (Curzon) to the American Chargé (Wright)*

No. 37459/10.F.

[LONDON,] *March 17, 1919.*

SIR: With reference to the note from the United States Ambassador of the 24th. ultimo and to previous correspondence respecting the proposal of the United States Government for the formation of a new

<sup>78</sup> *Post*, p. 572.

<sup>79</sup> *Foreign Relations*, 1918, p. 188.

International Consortium to provide loans to China, I have the honour to inform you that His Majesty's Government have, after careful consideration, decided to authorise a British group to enter the consortium under the conditions suggested by the United States Government.

The United States scheme as understood by His Majesty's Government may be summarised as follows:—

1. It is proposed to establish a system of international co-operation in Chinese finance in the shape of a Four Power Consortium, comprising Great Britain, France, the United States and Japan, each Power constituting a representative group of Banks and Financial Houses, without prejudice to the claims of Belgium and Russia to be included at a later date.

2. The four Groups will share equally in all Chinese Government guaranteed loans, industrial as well as administrative and financial, which involve a public issue, but financial operations not involving a Chinese Government guarantee or a public issue will remain open to all.

3. The groups will pool all existing and future options, except such concessions as may be already in operation.

4. Each national group will receive the active and exclusive support of its Government in the sphere thus indicated.

The acceptance of these proposals, as was pointed out to the late Mr. Page by Mr. Balfour in a note dated August 14th. 1918,<sup>80</sup> involves a complete reversal of the policy adopted by His Majesty's Government in 1913 when it was decided to exclude industrial loans from the scope of the Consortium's activities, but so convinced are His Majesty's Government of the urgency, in the interests not only of China herself, but also of foreign trade and finance, of adopting some system to ensure the proper control of loans to the Chinese Government, that they have determined to depart from their previous attitude and to authorise on certain conditions the participation of a British group in a Consortium constituted on the lines suggested by the United States Government.

These conditions comprise the enlargement of the British group in such a manner as to make it representative of the banks and financial houses of this country interested in loans to China and the pooling by the various members of the group of all their existing as well as future options for such loans. Further the inclusion of Industrial Loans in group business is subject to the understanding that the promise of support by His Majesty's Government applies solely to the financial side of such loans, that the British group is prepared—as is also, I am given to understand, the United States

<sup>80</sup> *Ibid.*, p. 189.

group—to dissociate itself from the industrial side and while providing for the flotation of the loans, to put up to public tender the contracts for the execution of the engineering or other works to be built out of the proceeds of the loans and for the supply of the necessary materials.

On these conditions His Majesty's Government have authorised the British group to participate in the operations of the proposed International Consortium and have guaranteed to it exclusive official support as regards all future public loans to China which involve a Government guarantee and a public issue, whether for industrial, administrative or financial purposes. At the same time I must add that any financial assistance to China on a large scale from this country cannot be looked for at the present moment, as, having regard to the heavy pressure on the capital resources of this country for reconstruction purposes and to the consequent restrictions imposed on capital borrowing in the London market, His Majesty's Government have only been able to assent to British participation in the Consortium on the understanding that any loan to China in the near future must be of very moderate dimensions and that the share of the British group should be carried by the United States group, in conjunction with the Japanese group, in the manner suggested in the memorandum which formed the annex to the note addressed by Mr. Lansing to the British Chargé d'Affaires on October 8th. 1918.<sup>81</sup>

Finally I beg to state that I am in complete agreement with the view expressed in Mr. Davis' note of the 24th. ultimo, that the question as to what joint agreements should be included in the practical working of the Consortium and what options surrendered could be most easily settled through negotiations between the groups, subject of course to the approval of the respective Governments and I am instructing the representative of the British group accordingly.

I have [etc.]

(For Earl Curzon of Kedleston)

J. A. C. TILLEY

893.51/2152

*The British Embassy to the Department of State*

No. 221

MEMORANDUM

His Majesty's Government have been informed by the Belgian Government that a Belgian financial group is being formed with the object of participating in the new international consortium for Chinese loans. The Belgian Government add that the group is

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<sup>81</sup> *Foreign Relations*, 1918, p. 193 (footnote).

most anxious to be invited to the group meetings that will be held shortly to organize the scheme.

His Majesty's Government hold that, although the admission at the early stage of the proceedings of a fifth group may tend to complicate the negotiations, they are bound to admit the Belgian group in accordance with the promise made in 1917.

His Majesty's Government would be grateful for an expression of the views of the United States Government in the matter before replying to the Belgian Government.

WASHINGTON, *March 24, 1919.*

893.51/2152

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*The Department of State to the British Embassy*

MEMORANDUM

Concerning the information received through the Embassy's Memorandum No. 221 of March 24, 1919, that a Belgian financial group is being formed with the object of participating in the new international consortium for Chinese loans and the statement that the group is most anxious to be invited to the group meetings that will be held shortly to organize the scheme, the American Government agrees with His Britannic Majesty's Government that the admission of a fifth group at this time will tend to complicate the negotiations.

Subsequent events have tended to strengthen the view of this Government as expressed on October 8, 1918, to the effect that, "It is not the intention, however, of this Government to ignore, much less to exclude, any just claim of participation in the new International Group, but merely, for practical considerations arising out of the war, to associate the interests of the Governments now so closely and actively associated and most able to finance the proposed loans to China, and to reserve for future consideration the inclusion of any other groups of friendly powers which may, at a later time, be in a position effectively to cooperate."

The position of the United States Government has not changed from that expressed above but conditions in China now render time a more important factor than ever and it would seem most necessary that the four powers which have conducted negotiations to practical completion should proceed to active operation rather than at this time to invite the inevitable delay which the consideration of the admission of another national group would cause.

WASHINGTON, *March 27, 1919.*

893.51/2153 : Telegram

*The Ambassador in Japan (Morris) to the Acting Secretary of State*

TOKYO, March 27, 1919, 4 p.m.

[Received 6.05 p.m.]

I have caused the invitation contained in your telegram of March 19, 7 p.m. to be conveyed to the Vice Minister for Foreign Affairs who stated that while he believes that Japanese Government will decide to accept in principle the American proposal for the reconstitution of the consortium, that decision has not yet [been] taken as the Cabinet has been too much preoccupied during the session of Parliament. He stated that the question would be promptly taken up now that Parliament is adjourning. He said further that in the event of this Government's approving the American proposal it would of course have to consult with the British and French Governments before [authorizing] the Japanese group [to] participate in the [proposed] bankers conference.

He inquired whether the same invitation was being extended to the British and French but was informed that the Embassy is not advised as to that. Do you desire that I should inform him that the Japanese Government is being consulted in advance of the others?

MORRIS

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893.51/2153 : Telegram

*The Acting Secretary of State to the Ambassador in Japan (Morris)*<sup>82</sup>

WASHINGTON, March 29, 1919, 4 p.m.

Your March 27, 4 p.m.

Please say personally to the Vice Minister for Foreign Affairs that as the result of recent informal discussions by representatives of the banking groups in London and Paris as well as those reported by Abbott from Tokyo it seems to be the unanimous opinion that an early meeting of all group representatives to discuss working details and submit tentative conclusions to their respective governments is necessary. Refer to Department's February 21, 4 p.m., and your March 11, 6 p.m. Based on the statement contained in your February 16, midnight, as having the approval of the Minister of Finance and Acting Minister of Foreign Affairs "Four power group is to

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<sup>82</sup> Repeated to the Ambassador in Great Britain, on the same date, for similar action, in telegram No. 4984, which the Ambassador was instructed to repeat to Paris. Ambassador in Japan instructed in telegram of Mar. 31, 2 p.m., to repeat to Peking for information.

supervise all undertakings and a conference of representatives of groups at New York is to arrange details" this Government desired to know if May 15th would be convenient date for the Japanese representatives to attend such meeting. The question is being taken up also with the other interested Governments.

In the meantime the Department is officially advised that the British Government has definitely decided to authorize British banking group to enter international consortium under conditions suggested by the United States Government.

PHILLIPS

893.51/2160 : Telegram

*The Ambassador in Japan (Morris) to the Acting Secretary of State*

TOKYO, April 2, 1919, 1 p.m.

[Received April 2, 8.28 a.m.]

Your telegram of March 29th, 4 p.m. Mr. Shidehara<sup>83</sup> this afternoon reiterated that the Japanese Government will not be prepared to authorize the participation of the banking group in the proposed conference until the Cabinet may have reached a formal decision in regard to the American proposals for the reconstitution of the consortium. He stated that steps are now being taken to hasten that decision.

He incidentally raised the question of the place of meeting stating that this Government would prefer either Paris or London rather than New York as Tatsumi<sup>84</sup> and Odagiri,<sup>85</sup> one or the other of whom would naturally represent the Japanese group, in any such conference, are both assisting the peace delegation at Paris.

He further volunteered the information that the Japanese Government is committed to the support of the claim of the Belgian group to admission to the new consortium.

MORRIS

893.51/2976

*Memorandum of the Third Assistant Secretary of State (Long)*

[WASHINGTON,] April 3, 1919.

The Italian Chargé d'Affaires called this afternoon and asked what the status of the new Consortium was. I explained to him very shortly. He had a communication from his Government which indicated that they felt Italian bankers should be admitted to the

<sup>83</sup> Kijuro Shidehara, Japanese Vice Minister of Foreign Affairs.

<sup>84</sup> Konojo Tatsumi, on the board of directors of the Yokohama Specie Bank, and manager of its London branch.

<sup>85</sup> Masunosuke Odagiri, on the board of directors of the Yokohama Specie Bank, and superintendent of its branches in China.

new group. I told him that our position was that the group should be organized by those who had been members of the old group, and that after organization they would consider what other nations should be admitted. I assured him that there was no arrangement in the agreement which would exclude any other nation, but that it was considered inadvisable to take up those matters at this stage. He also asked about the consolidation of the railroads in China, and read a translation of a cable from Peking saying that there had been a good deal of talk there about it, and about foreign control of the railroads.<sup>86</sup> I told him that we too had heard of it from our Minister, but had advised him that we were not interested in any such project, and instructed him to take no further action.

BRECKINRIDGE LONG

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893.51/2163 : Telegram

*The Ambassador in Japan (Morris) to the Acting Secretary of State*

TOkyo, April 3, 1919, 3 p.m.

[Received April 3, 2.20 p.m.]

A memorandum from the Ministry for Foreign Affairs dated 2nd, while concurring in principal with the suggestion made in your telegram of February 21st, 4 p.m.,<sup>87</sup> adds that:<sup>88</sup>

“Inasmuch, however, as England and France are deeply interested in this question, it is deemed best that the proper course for the Imperial Government to pursue before answering the American Government would be to ascertain the opinions of the Governments of Great Britain and France, to which nationalities the banking syndicate belongs. Accordingly the necessary steps to this end have been taken.”

MORRIS

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893.51/2165 : Telegram

*The Ambassador in France (Sharp) to the Acting Secretary of State*

PARIS, April 5, 1919, 8 p.m.

[Received April 6, 12.47 a.m.]

8029. Your 4590, February 21st, and 4984, March 29th.<sup>89</sup> Minister for Foreign Affairs replies that the only point on which some doubt

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<sup>86</sup> See section on railways, pp. 566 ff.

<sup>87</sup> See footnote 74, p. 424.

<sup>88</sup> The original text of the memorandum is in Japanese; the excerpt in English was received by the Department from the American Embassy in Tokyo.

<sup>89</sup> Both serial numbers are those of telegrams to the Ambassador in Great Britain; evidently they were retained in repetitions to the Ambassador in France. See pp. 424 and 430 (footnote 82).

had been entertained was the onus [*expediency*] of extending the scope of the new consortium to industrial loans which the agreements of the 1912 consortium had purposely excluded, but in order not to delay any longer the consideration of such an interesting proposition as that suggested by it the said point will be left to the decision of the representatives of the groups and therefore the Foreign Office has transmitted to the French group the suggestion contained in Department's 4984 of holding a meeting in New York on May 15th of the representatives of the different groups.

However, Mr. Pichon<sup>90</sup> raises the question as to the facility of reuniting in America at that date the various interested financial persons. He points out that the representative of the Japanese group, M. Odagiri, of Yokohama Specie Bank, is now at Paris; that Sir Charles Addis, who will doubtless, as usual, represent the British group, is at London; that the directors of the Banque de l'Indo-Chine, who have always had charge of representing the French group, are in Paris. He further states that information has been received that a representative of the interested American banks had arrived or was on point of arriving in France and he asks therefore whether it would not be simpler to suggest to these gentlemen to arrange themselves the place and date of their meeting.

SHARP

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893.51/2165 : Telegram

*The Acting Secretary of State to the Ambassador in Japan (Morris)*

WASHINGTON, April 8, 1919, 6 p.m.

Your April 2, 1 p.m.

Department has received from the Embassy Paris the following: "Minister of Foreign Affairs replies that the only point on which some doubt had been entertained was the onus [*expediency*] of extending the scope of the new consortium to industrial loans which the agreement of the 1912 consortium had purposely excluded, but in order not to delay any longer the consideration of such an interesting proposition as that suggested by it the said point will be left to the decision of the representatives of the groups." It suggests that representatives of banking groups themselves arrange the place and date of their meeting. Department agrees and has so advised American Group. Advise Japanese Government and repeat to Peking.

POLK

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<sup>90</sup> Stephen Pichon, French Minister of Foreign Affairs.



893.51/2165 : Telegram

*The Acting Secretary of State to the Ambassador in France (Sharp)*

WASHINGTON, April 11, 1919, 4 p.m.

8001. Your 8029 April 5, 8 p.m.

Department agrees that representatives of banking groups shall arrange place and date of meeting. American Group advises it will take pleasure in being represented in either London or Paris and suggests meeting be held not later than May 15.

Repeat to London.

POLK

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893.51/2203 : Telegram

*The Ambassador in Japan (Morris) to the Acting Secretary of State*

TOKYO, May 3, 1919, 4 p.m.

[Received May 3, 12.47 p.m.]

Your February 21, 4 p.m.<sup>90</sup> The Minister for Foreign Affairs has handed me the following note:<sup>91</sup>

“In accordance with the statement in the Foreign Office’s memorandum of the 2d April, which was a reply to the American Ambassador’s memorandum of March 11, 1919, in regard to a new loan consortium in China, the Governments of Great Britain and France were consulted. The Imperial Government in order to settle the embarrassing and complex questions which may arise in the operation of the scheme has decided to approve of the official notes [suggestion] set forth in the Ambassador’s memorandum of letting the banking groups exchange views, subject to the approval of their respective Governments. The Imperial Government therefore will issue the necessary instructions to its interested bankers.”

MORRIS

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893.51/2211b : Telegram

*The Acting Secretary of State to the Ambassador in France (Wallace)*

WASHINGTON, May 8, 1919, 4 p.m.

8256. For your information.

Hugh Marshall who has been in the Department of State since last summer specializing on matters connected with the formation of the new consortium for loans to China sailed yesterday for Paris in order that his experience and familiarity with the Department’s views might be available to the Embassy and to the American Group

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<sup>90</sup> See footnote 74, p. 424.

<sup>91</sup> The original text of the memorandum is in Japanese; the English text is a translation received by the Department from the American Embassy in Tokyo.

during the bankers conference which has been called to meet on May 15. Will you kindly accord him every facility in communicating with the Department and keep him fully informed concerning any developments that may have a bearing upon the loan negotiations. Also please make some arrangement for his hotel accommodations, and ask port courtesies.

POLK

893.51/2233 : Telegram

*The Ambassador in France (Wallace) to the Acting Secretary of State*

PARIS, May 20, 1919, 8 p.m.

[Received May 21, 12.42 a.m.]<sup>92</sup>

413. From Marshall:

Your 8338, May 19, 2 p.m.<sup>93</sup> Meeting for organization of new international consortium highly successful. Lamont reports matters on the whole moved smoothly and satisfactorily. Tentative agreement was adopted which commits all the interested groups to the principles laid down by the Department in initiating the present plan. British and French were cooperative from the beginning. Japanese representative claimed he had no specific authority to discuss certain of the important principles involved but ultimately agreed to the resolutions as drawn and to the proposed draft of agreement which he signed together with the representatives of the other groups. The following resolutions passed unanimously, subject to confirmation of the respective Governments:

1. It was resolved that the principles laid down for the formation of the new consortium for Chinese loan business in the note dated [July 10,] 1918, by the American Government, addressed to the British, French and Japanese Governments, and the subsequent memorandum relating thereto,<sup>94</sup> be and the same are hereby approved.

2. It was resolved:

(a) That in addition to future business all existing loan agreements and options which involve the issue for subscription by the public of loans, be pooled with the exception of agreements and options relating to industrial undertakings (including railways) upon which substantial progress has been made.

(b) That the groups will surrender to the consortium any such agreements and options which they themselves possess or control.

(c) That the groups will use their best endeavors to induce other parties who may possess or control any such agreements or options to surrender the same to the consortium.

<sup>92</sup> Text printed from corrected copy received about May 31.

<sup>93</sup> Not printed.

<sup>94</sup> See *Foreign Relations*, 1918, pp. 172-176, 195.

3. It was declared that the groups would be prepared to consider the inclusion of a Russian group in the new consortium as soon as a government recognized as such by the respective Governments of the groups, should be established in Russia. The Chairman was requested to communicate copy of this resolution to the Russian group.

4. Mr. Simon <sup>94</sup> having reported that a Belgian group had requested that they be included in the new consortium as a principal, it was resolved that favorable consideration should be given to this request after the formation of the new consortium. Mr. Simon was requested to communicate copy of this resolution to the Belgian group.

5. It was resolved that each group in the new consortium shall be a national unit and that no member of any group shall, within the scope of the operation of the consortium, represent directly or indirectly any other national interest. That each group shall be established by a formal agreement in writing. That each of these agreements shall be furnished to the other groups.

6. It was recognized in principle that industrial undertakings and railways in particular should be handled as an undivided whole and not sectionally and it was resolved that instructions be given by the groups to their respective representatives and engineers to prepare a joint scheme for carrying this principle into effect.

7. The question of the participation of the Japanese group in the Hukuang Railway loan having been raised, the other groups stated that it was their intention, so soon as the new consortium was formed and the Japanese group included therein, to offer to them an equal share with the other groups in this loan upon the terms of the last mentioned resolution.

8. A draft of the agreement, a print of which is annexed hereto, was read and approved and it was resolved that the same should be remitted for the further consideration of the groups in consultation with their respective Governments.

Davison <sup>95</sup> is taking proposed draft to America and Morgan is to send Department a copy. I am also sending one by pouch. Do you desire full text cabled? I have not sent this information before as Lamont advised me same had been cabled Morgan for immediate transmission to Department.

WALLACE

893.51/2240 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, May 27, 1919, 6 p.m.

The formation of the new international consortium for rendering financial assistance to China is making such favorable progress that you may discreetly intimate orally to the Chinese

<sup>94</sup> S. Simon, representative of the French group.

<sup>95</sup> Probably Henry P. Davison, member of the firm of J. P. Morgan & Co.

Government that it may be desirable that negotiations for any large loans which may be required should be conducted in America or in Europe directly with the bankers principals rather than with their representatives in China. Report results. You will please bear in mind that New York or Washington will be the most appropriate places.

POLK

893.51/2245d

*The Acting Secretary of State to the British Chargé (Barclay)*<sup>96</sup>

WASHINGTON, May 31, 1919.

SIR: Referring to Mr. Lansing's note of October 8, 1918,<sup>97</sup> I have the honor to inform you that at a meeting of representatives of the banking groups of Great Britain, France, Japan and the United States, held at Paris on May 12, 1919, with the sanction of their respective Governments, for the purpose of organizing an international group for financial business in China, the enclosed resolutions<sup>98</sup> were unanimously adopted, subject to confirmation by the Governments concerned.

The Government of the United States, on its part, accepts and confirms the above resolutions and it is hoped that His Britannic Majesty's Government will promptly give like confirmation in order that the formal organization of the new consortium may be completed, prior to the expiration of the old consortium agreement on June 18 next.

Accept [etc.]

BRECKINRIDGE LONG

893.51/2245c

*The Acting Secretary of State to the Chinese Chargé (Yung Kwai)*

WASHINGTON, May 31, 1919.

SIR: Referring to Mr. Lansing's Note No. 82 of October 8, 1918,<sup>99</sup> on the subject of the formation of an international group for the purpose of rendering financial assistance to China, I have the honor to enclose herewith for your information and for the information of your Government copy of an identic note with accompanying enclosure on the above mentioned subject, which I have today handed to the representatives of Great Britain, France and Japan.<sup>1</sup>

Accept [etc.]

BRECKINRIDGE LONG

<sup>96</sup> The same, *mutatis mutandis*, May 31, to the French Chargé and to the Japanese Ambassador (File Nos. 893.51/2245f, 2245e).

<sup>97</sup> *Foreign Relations*, 1918, p. 193 (see footnote).

<sup>98</sup> See telegram No. 413, May 20, from the Ambassador in France, p. 435.

<sup>99</sup> *Foreign Relations*, 1918, p. 196.

<sup>1</sup> See note to the British Chargé, *supra*.

893.51/2245a : Telegram

*The Acting Secretary of State to the Ambassador in France  
(Wallace)*

WASHINGTON, May 31, 1919, 4 p.m.

8445. For Marshall. Referring to section 6 of resolution adopted by Bankers at their recent meeting in Paris, you are cautioned that in the opinion of the Department it may be dangerous to proceed with the instructions to the representatives and engineers until after the consortium has been finally approved by the respective governments and until after the consortium is organized. It has been recognized in principle by the bankers representing each group that industrial undertakings and railways in particular should be handled as an undivided whole. Discussion as to how this can be brought about may lead to discussion of "spheres of influence" and "special interest." Such discussion may afford the Japanese an opportunity to press their claim to the end, that, Manchuria, Mongolia, Shantung and Fukien be exempted from the operations of the consortium and pressure may be brought to bear on England and France to claim exemption to this [*their?*] so-called "spheres of influence". This would render the field of operations of the consortium quite limited and in the eyes of this Government quite useless. You will please be guided accordingly.

Repeat to London together with your 526, May 29, 6 p.m. and your 451 May 23, 6 p.m.<sup>2</sup>

LONG

893.51/2246a : Telegram

*The Acting Secretary of State to the Ambassador in Great Britain  
(Davis)<sup>3</sup>*

WASHINGTON, May 31, 1919, 5 p.m.

5420. The Department is notifying the Governments of France, Great Britain and Japan, through their representatives here that the Government of the United States accepts and confirms the resolutions unanimously adopted by the bankers conference held in Paris on May 12th. This Government trusts that the other Governments concerned will promptly give like confirmation in order that the formal organization of the new consortium may be completed prior to the expiration of the old consortium agreement on June 18th next.

<sup>2</sup> Neither printed.<sup>3</sup> See last paragraph for instructions to repeat to Paris. Similar telegram, with last paragraph omitted, sent to the Ambassador in Japan, May 31, 4 p.m. (File No. 893.51/2233.)

You will urge prompt action by the Government to which you are accredited and notify the Department of the results.

Repeat to Paris as number 8446.

LONG

893.51/2251a, 2839

*The Acting Secretary of State to the British Chargé (Barclay)*<sup>4</sup>

WASHINGTON, June 5, 1919.

SIR: Supplementing the Department's note of May 31, 1919, regarding the organization of a new international consortium for the purpose of making loans to the Chinese Government, I have the honor to enclose herewith for your information copy of the draft agreement entered into by the representatives of the banking groups of Great Britain, France, Japan and the United States at a meeting held in Paris on May 12th.

Accept [etc.]

FRANK L. POLK

[Enclosure]

*Draft Agreement between the British, French, Japanese, and American Groups*

An Agreement made the . . . day of . . . 1919 Between THE HONGKONG AND SHANGHAI BANKING CORPORATION having its office at 9 Gracechurch Street in the City of London (hereinafter called "the Hongkong Bank") of the first part THE BANQUE DE L'INDO CHINE having its office at 15bis Rue Laffitte Paris (hereinafter called "the French Bank") of the second part THE YOKOHAMA SPECIE BANK LIMITED having its office at Yokohama in Japan (hereinafter called "the Japanese Bank") of the third part and MESSRS. J. P. MORGAN & Co., MESSRS. KUHN LOEB & Co., THE NATIONAL CITY BANK OF NEW YORK, THE GUARANTY TRUST COMPANY OF NEW YORK and the CONTINENTAL AND COMMERCIAL TRUST AND SAVINGS BANK OF CHICAGO (hereinafter called "the American Managers") acting as to the United Kingdom by Messrs. Morgan Grenfell & Co. of 22 Old Broad Street, in the City of London and as to France by Messrs. Morgan Harjes & Co. of Paris of the fourth part WHEREAS the Hongkong Bank the French Bank the Japanese Bank and the American Managers are acting for the purposes of this Agreement as the representatives of the British French Japanese and American Groups respectively AND WHEREAS the British French Japanese and American Groups were formed with the object of negotiating and carrying

<sup>4</sup>The same, *mutatis mutandis*, June 5, to the diplomatic representatives of China, France, and Japan.

out Chinese loan business and are entitled to the exclusive diplomatic support of their respective Governments. Now It Is HEREBY AGREED by and between the parties hereto as follows:—

1.—EACH Group reserves to itself the right of increasing or reducing the number of its own members but so that any member of a group dropping out shall remain bound by the restrictive provisions hereof and any member of a group coming in shall become subject to the restrictive provisions hereof and so that no group shall (without the consent of the others) be entitled to admit into its group a new member who is not of its nationality and domiciled in its market. The admission of any new group shall be determined by the parties hereto subject to the approval of their respective Governments.

2.—THIS Agreement relates to existing and future loan agreements which involve the issue for subscription by the public of loans to the Chinese Government or to Chinese Government Departments or to Provinces of China or to Companies having Chinese Government or Chinese Provincial Government guarantees but does not relate to agreements for loans to be floated in China. Existing agreements relating to industrial undertakings upon which it can be shown that substantial progress has been made may be omitted from the scope of this Agreement.

3.—THE existing Agreements and any future loan agreements to which this Agreement relates and any business arising out of such agreements respectively shall be dealt with by the said groups in accordance with the provisions of this Agreement.

4.—THIS Agreement is made on the principle of complete equality in every respect between the parties hereto and each of the parties hereto shall take an equal share in all operations and sign all contracts and shall bear an equal share of all charges in connection with any business (except stamp duties and any charges of and in connection with the realisation by the parties hereto in their respective markets of their shares in the operations) and the parties hereto shall conclude all contracts with equal rights and obligations as between themselves and each party shall have the same rights privileges prerogatives advantages responsibilities and obligations of every sort and kind. Accordingly preliminary advances on account of or in connection with business to which this Agreement relates shall be borne by each of the parties hereto in equal shares and each of the parties hereto shall be entitled to participate equally in the existing Agreements and will offer to the other parties hereto an equal participation with itself in any future loan business falling within the scope of this Agreement. Should one or more of the parties hereto decline a participation in the existing Agreements or any of them or in any such future loan business as aforesaid the party or parties accepting a participation therein shall be free to undertake the same but shall issue on its or their markets only.

5.—ALL contracts shall so far as possible be made so as not to impose joint liability on the parties hereto but each of the parties hereto shall severally liquidate its own engagements or liabilities. The parties hereto will so far as possible come to an understanding with regard to the realisation of the operations but so that such realisation in whatever manner this may take place shall be for the

separate benefit of each of the parties hereto as regards their respective participations therein and so that each of the parties hereto shall be entitled to realise its participation in the operations only in its own market it being understood that the issues in the respective markets are to be made at substantial parity.

6.—ANY one or more of the parties hereto who shall have accepted its or their participation in any business hereunder shall be entitled by notice in writing to call upon the other or others of the parties hereto who propose to issue their own respective participations to issue for the account of the party or parties giving such notice or notices either all or one-half of the amount which may constitute the participation of the party or parties giving such notice or notices and the party or parties so called upon shall issue the said amount or amounts (hereinafter called "the Residuary Participation") specified in such notice or notices upon and subject to the terms and conditions following, viz:—

(1) Such notice or notices must be received by the other or others of the parties hereto before the execution of the final Agreement for the issue of the loan or (in the case of an issue of a part only of the loan) of so much thereof as the parties hereto may from time to time agree to issue.

(2) The party or parties to whom such notice or notices shall have been given shall be entitled to decide among themselves and without reference to the party or parties giving such notice or notices as to which one or more of them shall issue the Residuary Participation but in default of any such decision they shall issue the same equally between them.

(3) In issuing the Residuary Participation no distinction shall be made between the Residuary Participation and the amount or amounts issued on its or their own account by the party or parties issuing the Residuary Participation which shall in all respects be subject to the conditions of the respective Syndicates which may be formed for the purpose of effecting the issue.

(4) Each of the parties issuing the Residuary Participation shall be entitled to decide for itself and without reference to the party or parties giving such notice or notices as to what expenses shall be incurred in relation to the issue of the total amount issued by such party.

(5) The party or parties issuing the Residuary Participation shall be entitled between them to charge the party or parties giving such notice or notices with a commission of not exceeding  $1\frac{1}{2}$  per cent. on the nominal amount of the Residuary Participation and also with a *pro rata* share of the total expenses which the issuing party or parties may in their sole discretion incur in relation to the whole issue and being in the proportion which the Residuary Participation bears to the total nominal amount of the issue.

(6) The party or parties issuing the Residuary Participation shall not by virtue of this Agreement incur any responsibility to subscribe for the Residuary Participation or to cause the same to be subscribed.



(7) Each party issuing the Residuary Participation shall apply all subscriptions received by it *pro rata* between the Residuary Participation issued by it and the amount issued by such party on its own account.

(8) Each of the parties issuing the Residuary Participation will apply for and use its best endeavours to obtain a quotation on its market for the total amount issued by it.

(9) No issue of the Residuary Participation or any part thereof shall be made by the party or parties giving such notice or notices unless mutually agreed by the parties hereto.

7.—No participation shall be given by any one of the parties hereto outside its own market. Any participation given in its own market by any one of the parties hereto shall be for its own account only or in the event of the issue including any of the Residuary Participation for the accounts *pro rata* of the issuing Bank and the party or parties giving such notice or notices as aforesaid and in giving any such participation the party giving the same shall use its best endeavours to secure that no part of such participation shall be transferred to parties outside the market of the party giving the same. Any other participation shall be given only with the consent of all parties hereto and shall be borne in equal shares by the parties hereto.

8.—THIS Agreement shall remain in force for the period of five years from the date hereof Provided nevertheless that a majority of the parties hereto may by twelve months' previous notice in writing addressed to the other parties hereto determine this Agreement at any time.

IN WITNESS whereof the duly authorised representatives of the respective parties hereto have set their hands the day and year first above written.

Initialled for identification.

893.51/2254

*The British Chargé (Barclay) to the Acting Secretary of State*

No. 431

WASHINGTON, June 7, 1919.

SIR: I have the honour to acknowledge the receipt of your note of May 31st (893.51/), in which you inclosed copies of resolutions adopted at a meeting of representatives of the banking groups of Great Britain, France, Japan and the United States held at Paris on May 10th [11th] and 12th, 1919, and enquired whether His Majesty's Government would confirm these resolutions. I did not fail to communicate this enquiry by telegraph to the Foreign Office and have now received a reply to the effect that His Majesty's Government have considered carefully the minutes of the two meetings and the draft of the international group agreement, and have informed the Hongkong and Shanghai Bank that they meet with their

approval with the exception of the statement in the preamble of the agreement that the Groups are entitled to the exclusive support of their respective Governments. This is not the case so far as the relation between His Majesty's Government and the British Group is concerned, as the latter have hitherto failed to comply with the conditions on which alone His Majesty's Government are prepared to guarantee exclusive official support.

I have [etc.]

COLVILLE BARCLAY

893.51/2271

*The Ambassador in France (Wallace) to the Acting Secretary of State*

No. 169

PARIS, June 7, 1919.

[Received June 20.]

SIR: Confirming my telegram No. 649 of June 6th, 11 p.m.,<sup>5</sup> I have the honor to enclose herewith, in copy and translation, the text of the note which formed the body of that telegram.

A copy of the note has also been sent to Mr. Hugh D. Marshall, Special Assistant to the Department of State at present in Paris.

I have [etc.]

HUGH C. WALLACE

[Enclosure—Translation]

*The French Minister of Foreign Affairs (Pichon) to the American Ambassador (Wallace)*

PARIS, June 6, 1919.

MR. AMBASSADOR: The Minutes of the meeting held in Paris on the 11th day of May by the representatives of the four groups appointed to form the new consortium for loans to China, together with the text of the agreement signed on the 12th day of May, subject to the approval of the respective Governments, has just been communicated to the Ministry for Foreign Affairs.

I had already had occasion to make known several times to the Federal Government, that France appreciated the generous initiative of the United States and assented in advance to the general lines of the plan elaborated by Mr. Lansing. The groups having taken as a basis for the formation of the new consortium "the principles outlined in the American note of the 11th [10th] July"<sup>6</sup> and the resolutions adopted being but the application of these principles, the approval of the French Government may already be considered as given.

<sup>5</sup> Not printed.

<sup>6</sup> *Foreign Relations*, 1918, p. 175; also enclosures therein referred to, printed on pp. 172 and 174.

There is one point, however, upon which I think it useful to define France's attitude. It is the one regarding the support to be given to the consortium by the French diplomatic representatives in China.

In order to prevent the harmful effects of possibly inconsiderate competition, Mr. Lansing, in his memorandum of October 8th, 1918,<sup>7</sup> provided that the members of the new consortium, once the agreement made, should refrain from giving support to independent financial operations unless previously authorized to do so by the interested Governments. This may be considered as covered by the agreement of May 12th.

In subsequent correspondence, there has been a question sometimes of the Governments themselves "not supporting any other financial operation without previous agreement", at other times of "their reserving to the Consortium their exclusive support". It would be well, I think, to come to an agreement at once as to the import of these expressions and the scope of the undertakings which might result from their adoption.

Although pursuant to resolutions 1 and 2 entered on the minutes of the meeting of the 11th day of May, the groups have agreed to include industrial loans in their operations, the very terms of these resolutions provide that industrial contracts (including railways) of which the individual members are the beneficiaries and in the execution of which "substantial progress has been made" are excluded from the pool. On the other hand, it is stated in paragraph (c) of resolution No. 2 that the groups will make every effort to obtain that "third parties" shall pool the contracts or options they may possess, from which it appears that the consortium itself admits the existence and carrying out of industrial contracts other than those possessed by its members.

You are moreover aware that in France as well as in England, the groups whilst admitting new members have, for various reasons, left out certain establishments having important interests in China. On the other hand new enterprises may be created at any moment which whilst desirous of exercising their activity in China may not be disposed to enter the Consortium or which the Consortium may not be desirous of admitting. There is nothing in French legislation permitting the limitation of the individual activity of private persons or of financial or industrial corporations, nothing enabling its field of action to be restricted, either in China or in any other part of the world. The result is that the Consortium not having grouped and being moreover practically unable to group all the French elements which are working or may one day desire to work on the territory

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<sup>7</sup> *Foreign Relations*, 1918, p. 195.

of the Republic of China, cannot lay claim there to the exclusive support of the French Government. Neither the rules of our public law nor parliamentary opinion would permit us to concede a kind of monopoly to the Consortium. You are besides aware that at the time of the constitution of the old Consortium, no privilege in law or in fact was attributed to it and that its founders counted only on the financial power of the organization, the soundness of the participating establishments and the coordination of their efforts to secure for themselves that preponderating position on the Chinese market, of which they have not ceased to benefit. It is on these intrinsic elements of success rather than on legal privileges that the new Consortium must base its fortune.

Under these circumstances does not the Federal Government think that the formula concerning the support to be given to the Consortium might be worded as follows:

“The Governments of the four participating groups undertake to give their complete support to the Consortium in all operations which it will undertake and which will have for their object the improvement of the financial situation of China and its industrial development.

In the event of competition for the obtaining of any specific contract, the collective support of the diplomatic representatives in Peking of the four Governments will be exclusively assured to the Consortium.”

I should be grateful if you would kindly let me know the views of the Federal Government in regard to these suggestions which I am submitting by the same mail to the British and Japanese Governments.

Please accept [etc.]

S. PICHON

893.51/2233 : Telegram

*The Acting Secretary of State to the Ambassador in Japan (Morris)*

WASHINGTON, June 9, 1919, 4 p.m.

Department's May 31, 4 p.m.<sup>8</sup>

The British and French Governments have approved the resolutions and agreement adopted by the bankers at Paris on May 11 and 12 subject to reservations relating to the expression “exclusive diplomatic support” appearing in the preamble of the agreement. It is likely that a satisfactory formula can readily be found to meet this point. Please report promptly on the views of the Japanese Government concerning the resolutions and agreement above referred to.

POLK

<sup>8</sup> See footnote 3, p. 438.

893.51/2256 : Telegram

*The Ambassador in France (Wallace) to the Acting Secretary of State*

PARIS, June 9, 1919, 4 p.m.

[Received 4.20 p.m.]

679. Our 649, June 6, 11 p.m.<sup>9</sup> From Marshall. The following at the request of Lamont for the Department and American group. He thinks the views expressed in the note of French Foreign Office are in substantial accord with the ideas which the American group have in mind. He expresses it as his personal opinion that the explanatory phrases offered at the end of the note are not unwise in defining more clearly the nature of the support afforded by the respective Governments and sees no reason why they should not be accepted. The agreement adopted provides that the consortium is to deal particularly with those projects which are to bear in effect the guarantee of the Chinese Government or any Province or Department of the Chinese Government which at the same time are subject to a public issue and does not contemplate "the limitation of the industrial activities of private persons or of financial or industrial corporations" as to initiative on the part of houses which are not members of any one of the financial groups. His understanding is that the respective Governments would neither approve or disapprove.

He points out further that the intent of the whole agreement is to secure a substantial working partnership among all the four groups and a pooling of their interests. To that end each group bound itself to do all it could to see to it that valuable concessions now in the hands of "third parties" might be upon some equitable basis, to be arranged, turned into the consortium. When this phrase was written there was especially in mind the situation with respect to the Japanese group. At that time the Japanese representatives did not know the composition of their group and at the same time it was known that various Japanese banks held important concessions. The Japanese representatives agreed to do all they could to bring these concessions within the scope of the consortium and naturally a similar undertaking was made by the other financial groups, it being embodied in the resolution.

The note alludes to the phrase "substantial progress has been made" taken from paragraph 2. He wishes to point out that it is not quite accurate in stating that such options are necessarily "excluded from the pool" rather the phrase is that such concessions or agreements "may be omitted." The intention of this is that if

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<sup>9</sup> See despatch No. 169, June 7, p. 443.

“substantial progress” as estimated by the judgment of a majority of the consortium has been made with respect to any one undertaking, then such undertaking shall not necessarily be turned over to the consortium but if in view of the consortium “substantial progress” has not been made, then automatically such agreement shall be turned over to the consortium. He recalls that on this important point the Japanese representative at first desired that each group should be its own judge of what the phrase “substantial progress” meant in any given case, but after discussion the Japanese representative agreed with the other representatives present to leave this to the decision of a majority of the consortium as each instance arose.

Japanese representative has suggested that any banking loan in amount of three million yen or more should be considered as falling within the scope of the consortium whether it involves a public issue or not. To this he agreed personally but has promised to submit it to the other groups.

From Marshall—A reading of the note convinces me that the Minister of Foreign Affairs misunderstands the field in which it is proposed to give the consortium sole support. If it is explained that it is only in the case of Chinese and provincial Government loans or those having their guarantee that such support is given and that the contracts arising out of such loans will be open to all responsible bidders in the respective countries, I think the coast will be clear.

WALLACE

893.51/2261i : Telegram

*The Acting Secretary of State to the Ambassador in France  
(Wallace)*<sup>10</sup>

WASHINGTON, June 11, 1919, 10 a.m.

8546. Your 649 of June 6, 11 p.m.<sup>11</sup> and 679 of June 9, 4 p.m.

You may reply in the following sense to the note of the French Government dated June 6:

“Adverting to the note from the Minister of Foreign Affairs handed to the American Ambassador on June 6th and with particular reference to the fourth paragraph thereof, it would seem that there was a possible misconception on the part of the French Government as to the scope of the proposed consortium. The phrase ‘independent financial operations’ and the context would seem to indicate that, in the mind of the Minister of Foreign Affairs, all

<sup>10</sup> For instructions to repeat to the Embassy at London, see antepenultimate paragraph.

<sup>11</sup> See despatch No. 169, June 7, p. 443.

independent financial operations in China were to be included within the scope of the consortium, whereas the agreement adopted provides, and the understanding of the United States Government is, that the consortium is to deal only with those loan projects which are to bear in effect the guarantee of the Chinese Government and which, at the same time, involve a public issue. It does not contemplate the entire elimination of industrial activities of private persons or of financial or industrial corporations, nor would it be the desire of the United States Government to do so. Consequently, the diplomatic support to be afforded to the French Group as a member of the consortium would simply be support relating to Chinese Government loan contracts coming specifically within scope of the agreement as stated in article 2, namely: 'loan agreements which involve the issue for subscription by the public of loans to the Chinese Government or to Chinese Government departments or to provinces of China or to companies having Chinese Government or Chinese Provincial Government guarantees.' This would still leave a very great field for financial activity open to individual and corporate initiative on the part of firms which are not members of any of the financial groups.

The Government of the United States feels that the Governments of each of the four participating groups should give their complete support to their respective national groups members of the consortium in all operations undertaken pursuant to the resolutions and agreements entered into by the bankers at Paris on the 11th and 12th of May, 1919, respectively.

It is sincerely hoped that the Government of France may come to an early conclusion so that the four Governments may be able to reach an agreement on or before the 18th instant, on which date the old consortium agreement expires. If the French Government and the other Governments concerned can so determine, a meeting of the representatives of the four banking groups now at Paris might be held on the 18th of June for organization."

Personal. You are requested to take the French note under acknowledgment and the recent correspondence based upon it, and to go over the matter very carefully with Messrs. Lamont and Marshall and to take the note above transmitted in person to the Foreign Office and converse with M. Pichon on the subject. Department feels that he does not quite understand the entire proposition and that if he did understand it that there would be little or no objection on his part to the proposal as at present made, which would be infinitely preferable to crowding the issue at the present time and adopting a new formula which might be open to disagreement or to exception on the part of the other Governments, and which the Department feels would not materially clarify the issue.

It is felt that a careful oral explanation of the whole matter on your part, supplemented by the urgent request that the matter be agreed to so that an organization meeting can be held on the 18th, would be most helpful.

If the note transmitted above is not entirely expressive of the situation as seen by yourself, Lamont and Marshall, you are at liberty to change it in your discretion.

Repeat to the Embassy at London together with your 649 and 679 for its information and for discussion with the British Foreign Office in connection with London Embassy's 2228 of June 7, 3 p.m.<sup>12</sup>

Also hand copies to Mission and keep Mr. Lansing advised. As soon as answer of French Government is received please cable London and advise Mr. Lansing. We will ask Mr. Lansing to assume control of the situation there as the time intervening will not permit handling the matter from here.

Also keep Department advised of all developments. American Group will meet in New York on Friday the 13th to discuss recent developments.

POLK

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893.51/2261g : Telegram

*The Acting Secretary of State to the Ambassador in Japan (Morris)*

WASHINGTON, June 11, 1919, 10 a.m.

The Department is replying in the following sense to a note from the French Government dated June 6. You may hand a copy informally to the Minister of Foreign Affairs and request copy of the French note to which reply is made. The Department trusts the Japanese Foreign Office will concur in the position taken by this Government and use its best efforts to make possible an organization meeting in Paris by June 18. Questions of interpretation can be discussed at any time after that.

[Here follows the text of the reply to the French Government as embodied in the telegram of June 11 to the Ambassador in France, printed *supra*.]

POLK

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893.51/2261h : Telegram

*The Acting Secretary of State to the Ambassador in Japan (Morris)*

WASHINGTON, June 13, 1919, 5 p.m.

Referring to International Consortium arrangement please use every effort to have the Japanese Government agree and to send instructions and authority to act to their representatives in Paris so that the meeting can be held on the 18th.

POLK

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<sup>12</sup> Not printed.



893.51/2262 : Telegram

*The Ambassador in France (Wallace) to the Acting Secretary of State*

PARIS, June 14, 1919, 4 p.m.

[Received 10.55 p.m.]

764. Your 8546, June 11, 10 a.m. Lamont is leaving for London to-day and will confer there with British group. Addis<sup>14</sup> of that group has informed Lamont that no necessity for action prior to June 18th is evident by reason of the fact that: "British and Japanese groups have agreed to resume among themselves the provisions of the agreement for a period of one year or until the new consortium has been formed." Addis evidently assumes the acquiescence without formal meeting of the American and French groups of this renewal agreement. Lamont will inform me more fully after his conference in London on Monday. Meanwhile suggests you communicate with American group and ascertain if they are in accord with Addis proposal for renewal as approved by British and Japanese groups but not hitherto, according to Lamont's information, communicated to American group.

Lamont approves form of proposed note to Pichon and manner of explaining situation to him but may possibly have some modification or further suggestion after conferring in London. Marshall states that Japanese representative here because of lack of instructions from his Government, which he states he is unable to receive in time, cannot take part in a meeting held on or before the 18th. It therefore seems advisable to postpone my conversation with Monsieur Pichon until Lamont reports from London the result of his interviews.

WALLACE

893.51/2266 : Telegram

*The Ambassador in Japan (Morris) to the Acting Secretary of State*

TOKYO, June 16, 1919, 10 p.m.

[Received June 17, 3.40 a.m.]

I saw the Minister for Foreign Affairs immediately upon the receipt of your June 13, 5 p.m. and urged him to send instructions to the Japanese representatives. He replied that his most recent information indicates that Great Britain's representative has proposed an extension of the old consortium for a year or until the new one has been completed. He understands that the French representative has expressed agreement with this suggestion and that the Japanese representative is prepared to act accordingly. Viscount Uchida feels

<sup>14</sup> Sir Charles S. Addis, manager of the Hongkong and Shanghai Banking Corp.

that until he is fully advised of entire situation including the attitude of France and Great Britain he cannot urge upon the Japanese representative any further action.

MORRIS

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893.51/2266 : Telegram

*The Acting Secretary of State to the Ambassador in France (Wallace)*<sup>15</sup>

WASHINGTON, June 17, 1919, 4 p.m.

8616. The following just received from Tokio *re* consortium:

[Here follows text of telegram of June 16 from the Ambassador in Japan, printed *supra*.]

You will please do all you can to have the group representing the interest of the Government to which you are accredited authorized to complete the new Consortium tomorrow.

PHILLIPS

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893.51/2276a : Telegram

*The Acting Secretary of State to the Ambassador in France (Wallace)*

WASHINGTON, June 18, 1919.

8623. American Group willing, and this Government approves, to have old Consortium "renewed for a period of six months or until the formation of the new Consortium". Please be guided accordingly if impossible to complete new Consortium and please telephone this to London with the request that they notify Grenfell.<sup>16</sup>

POLK

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893.51/2268 : Telegram

*The Ambassador in Great Britain (Davis) to the Acting Secretary of State*

LONDON, June 18, 1919, 8 p.m.

[Received June 19, 12.57 a.m.]

2324. For Breckinridge Long:

Following message from T. W. Lamont for J. P. Morgan of American group:

"Further China conference today. Present Addis, Odagiri and Tatsumi of Japan, Whigham<sup>17</sup> and me. Odagiri presented to me,

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<sup>15</sup> The same, June 17, to the Ambassador in Great Britain, No. 5519.

<sup>16</sup> Edward C. Grenfell, of Morgan, Grenfell & Co.

<sup>17</sup> Charles F. Whigham, of Morgan, Grenfell & Co. and representative of American group.

in accordance with request that I made to him when leaving Paris, the confirmation of newly adopted Japanese position in following letter:

“With reference to our interview in Paris and Mr. Tatsumi’s conversation with you (Lamont) on the 16th instant in connection with the proposed new consortium for Chinese business, for your information I would wish to communicate to you that we have been [instructed] by our principals in Japan that all the rights and options held by Japan in the regions of Manchuria and Mongolia where Japan has special interests should be excluded from the arrangements for pooling provided for in the proposed agreement. This is based on the very special relations which Japan enjoys geographically and historically with the regions referred to and which have been recognized by Great Britain, the United States, France, and Russia on many occasions. In this connection I would wish to specially draw your attention to a note from the Secretary of State to the Japanese Ambassador dated Washington, November 2nd, 1917.”<sup>19</sup>

Furthermore the following matter which was dealt with under the present group agreement was reserved by the Japanese group at the time of signature of the Chinese reorganization loan agreement. On the 18th June 1912, at the meeting of the six groups held in Paris when discussing the agreement for the Chinese reorganization loan about to be issued the following declaration was made by Mr. Takeuchi on behalf of the Japanese group and was recorded in the minutes:

The Japanese bank declared that it takes part in the loan on the understanding that nothing connected with the projected loan should operate to the prejudice of the special rights and interests of Japanese in the regions of South Manchuria and of the eastern portion of Inner Mongolia adjacent to South Manchuria.”<sup>20</sup>

I should be very much obliged if you would give the foregoing matter your careful consideration and with my best thanks in advance.’

Tatsumi states himself personally as disagreeing with these views of his Government but as being obliged to present them, as he says, for your (our) careful consideration. Odagiri stated that he and Tatsumi had both presented their views strongly to their Government on this point. Accordingly we have some hopes that Japanese Government may recede from its position but we do not think that there is much chance of this unless our State Department join with the British and the French Foreign Offices in taking up a very vigorous position in the matter. We have pointed out again to the Japanese delegates that this position, if persisted in, will mean practical annulment of the whole plan; that it is quite true that Secretary Lansing in the note mentioned alluded to the propinquity of Japan to China, et cetera, but that such allusion was a general one and that it therefore would exclude application to any particular section of Chinese territory, such as Manchuria [or] Mongolia; that the Japanese Government had accepted the principles for the new consortium as laid down in the American note; and that the Japanese representatives had at Paris affixed their preliminary signatures without reserve on the part of their Government and that we were convinced that this new attitude now taken up by the Government would create a most painful impression.

Am leaving tomorrow with House and Auchincloss for Paris, where will confer with Secretary Lansing and Marshall. For my information please cable me, Paris, as to whether in all probability

<sup>19</sup> *Foreign Relations*, 1917, p. 264.

<sup>20</sup> *Ibid.*, 1912, p. 137.

Siems-Carey option for building 1500 miles railway in China will or will not be turned into American group. My own inference has been that inasmuch as American group has no objection to such particular institutions as might be interested with Siems-Carey, inevitably, sooner or later, such option would be turned in."

DAVIS

893.51/2272

*The Chinese Chargé (Yung Kwai) to the Acting Secretary of State*

MEMORANDUM

The Chargé d'Affaires *ad interim* of China is in receipt of the following cable message from the Chinese Ministry of Finance at Peking:

"The finances of the Central Government are at present in an extremely critical state. Now that the new International Consortium has been formed, it is proposed to negotiate with that Consortium a loan of about \$50,000,000.00 in American Gold. Of this amount \$30,000,000.00 is to be used for making up the deficiency in the sums required for civil and military expenses of the Central Government for the months of July, August and September; and \$20,000,000.00 is to be used for disbanding troops. For security, the surplus of the Salt Tax is to be offered. As to supervision, the provisions of Article XIV of the Reorganization Loan of 1913 are to be followed.

"You will please lose no time in ascertaining confidentially the conditions for making this loan; and it is to be hoped that in consideration of the friendly relations between the two countries an advance of the above-mentioned amount can be quickly secured to tide over the present situation.

"The above has been communicated to the American Minister."

Mr. Yung Kwai would be greatly obliged if the Department of State would be so kind as to give him a reply for communication to the Ministry of Finance at Peking.

WASHINGTON, June 20, 1919.

893.51/2275 : Telegram

*The Ambassador in France (Wallace) to the Acting Secretary of State*

PARIS, June 21, 1919, 12 p.m.

[Received June 22, 9.58 a.m.]

891. I conferred yesterday afternoon with Secretary Lansing in regard to the messages transmitted through London Embassy by Mr. Lamont to American group on June 17th<sup>21</sup> and 18th, Messrs. Lamont and Marshall being present.

<sup>21</sup> Telegram of June 17 not printed.

It was agreed that the attitude of Japan as outlined in Odagiri's communication to Lamont on 18th is serious as involving possible break down of new consortium and that therefore every proper measure should promptly be taken to indicate clearly to Japan bearing of her attitude toward whole matter. Lamont will discuss with French group as he has with the British this Japanese situation. It was agreed by us yesterday that the Department of State should jointly with the British and French Governments communicate to the Japanese Government its opinion of the situation somewhat in the following sense:

The Department has been made cognizant of a letter addressed by Odagiri to Lamont of the American group outlining new views on the part of the Japanese Government as to the handling of new Chinese consortium. In the course of the letter, Odagiri stated as follows:

"For your information I would wish to communicate to you that we have been instructed by our principals in Japan that all the rights and options held by Japan in the regions of Manchuria and Mongolia where Japan has special interests should be excluded from the arrangements for pooling provided for in the proposed agreement. This is based on the very special relations which Japan enjoys geographically and historically with the regions referred to and which have been recognized by Great Britain, the United States, France and Russia on many occasions. In this connection I would wish to specially draw your attention to a note from the Secretary of State to the Japanese Ambassador dated Washington, November 2, 1917."<sup>21</sup>

Mr. Odagiri requested that the American group give to his letter "careful consideration".

The Department of State is informed that the financial groups involved will address to Mr. Odagiri of the Japanese group their general views to the effect that any such attitude as that outlined by Japan if persisted in will go far towards breaking down the whole intent and work of the consortium. Furthermore, however, the matter is of such importance that the Department deems it its duty in the premises to point out that any act on the part of Japan tending to exclude Manchuria and Mongolia from the scope of the consortium would be entirely contrary to both the spirit and letter of the original proposal made in the Department's note of July 10th last<sup>22</sup> in reference to the proposed new consortium the principles of which note were cordially accepted by the Japanese Government. The Department must point out that the international plan for the assistance and development of China must be made an effective working partnership or it will be of no value whatsoever. Manchuria and Mongolia are important sections of China and assuredly any loans that are issued with the guarantee or under the special sanction of the Government of those two provinces must naturally and properly fall within the scope of the consortium. Such a construction would of course in no way tend to diminish or contract the private activities of Japanese nationals in the regions referred to. The Department fully recognizes the interest already taken in the develop-

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<sup>21</sup> *Foreign Relations*, 1917, p. 264.

<sup>22</sup> *Ibid.*, 1918, p. 175; also enclosures therein referred to, printed on pages 172 and 174.

ment of the regions in question by Japanese nationals and has no desire to suggest that such activities be curtailed. But when it comes to a question of such important projects in Manchuria and Mongolia as may bear the sanction or guarantee of the provincial Governments involved, then the Department must point out very clearly that such projects must necessarily come within the scope of the consortium. In the note of the Secretary of State to the Japanese Ambassador dated November 2, 1917, the special relations alluded to had of course, no reference to the economic question involved in the regions of Mongolia and Manchuria. To sum up, the Department deems the future of the proposed new consortium as of such interest to the development and stability of China and to the peace of the world that in the event that Japan sees fit to adopt finally the principle of attempting to exclude from the consortium the indubitably Chinese regions referred to, then the Department will be inclined to advise the three other financial groups, namely, those of the United States of America, Great Britain, and France, to proceed promptly to the completion of the consortium upon the basis of the three powers just named with the inclusion in the near future of Belgium and Russia. The Department would deplore the necessity of giving any such advice which would be tantamount to proceeding with the plan in question with [without] the co-operation of Japan.

It is suggested further that the Department confer immediately with the American group ascertaining beyond question whether the above proposal meets with the approval of the American group. The point is an important one by reason of the fact that in the possible event that Japan persists in her attitude, America might be left temporarily the chief financial support of the consortium because of the inability for the moment of Great Britain and France to contribute materially to any new financing. Therefore, the American group should consider the attitude of the Department in the light of this point. Furthermore, you will of course understand that whatever decision may be arrived at in Washington after a conference with the American group, it is, as already stated, proposed here that any note along the foregoing line should be presented not as the action of the Department alone but as a joint note presented coincidentally by the American, British and French Governments.

WALLACE

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893.51/2292

*The French Chargé (Chambrun) to the Acting Secretary of State*

[Translation]

WASHINGTON, June 23, 1919.

MR. SECRETARY OF STATE: I have the honor to inform Your Excellency in reply to your notes of May 31 and June 5, that the Government of the Republic has approved the resolutions adopted on

May 12 last by the banking groups for the constitution of a new Consortium. There remaining nothing but the nature and scope of the assistance to be extended to the new consortium in China to determine, my Government submitted a draft of formula on that point to the Embassies of the United States and Japan and to the British Government. It is awaiting their replies.

Be pleased [etc.]

CHARLES DE CHAMBRUN

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893.51/2275 : Telegram

*The Acting Secretary of State to the Ambassador in France  
(Wallace)*

WASHINGTON, June 23, 1919, 4 p.m.

8699. Meeting of American Group will probably be held on Thursday to consider the question raised in your 891, June 21, 12 p.m. Please discreetly ascertain and inform the Department as promptly as possible what the attitude of the French and British Governments and Groups is or probably would be toward the proposal to proceed as a three power group under the conditions stated.

POLK

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893.51/2275 : Telegram

*The Acting Secretary of State to the Ambassador in France  
(Wallace)*

WASHINGTON, June 23, 1919, 5 p.m.

8704. Your 891 of June 21, 12 p.m.

The statement that the principles of the American proposal of July 10 last "were cordially accepted by the Japanese Government" is scarcely correct. The record shows that the Japanese Government has as yet made no definite formal commitment on this point, although the new plans have been approved by certain high officials.

The Japanese financial representatives, however, are definitely committed in principle by their signature of the resolutions and agreements of May 11 and 12 last.<sup>23</sup>

Would it not be advisable in discussing the question with the Japanese delegates to place the emphasis upon the practical and economic side of the question rather than the political, pointing out that the note of November 2, 1917,<sup>24</sup> to which they refer states specifically that both the United States and Japan "are opposed to the acquisition by any Government of any special rights or privileges that would affect the independence or territorial integrity of China or that would deny to the subjects or citizens of any country

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<sup>23</sup> Draft agreement of May 12, p. 439; resolutions, p. 435.

<sup>24</sup> *Foreign Relations*, 1917, p. 264.

the full enjoyment of equal opportunity in the commerce and industry of China," and that this agreement therefore can not be made the basis of a claim for exclusive commercial and industrial rights and options in Manchuria or elsewhere in China.

POLK

893.51/2279 : Telegram

*The Ambassador in France (Wallace) to the Acting Secretary of State*

PARIS, June 25, 1919, 8 p.m.

[Received June 25, 7.34 p.m.]

917. On June 21 I handed to Mr. Pichon a note in the sense of your telegraphic instruction 8546, June 11th, 10 a.m.<sup>25</sup> with slight modifications growing out of the decision to prolong the renewal of the old consortium rather than holding meeting in Paris before June 18th, to constitute the new one. Subsequently a conference was held at the Foreign Office by representatives of the French group as the result of which, so I am informed unofficially, the Minister for Foreign Affairs adheres to the proposed formula set forth in his note of June 6.<sup>26</sup> He points out that in effect this formula contemplates no practical change from the wording of the American formula and yet avoids the necessity of making defense on political grounds for it is obvious that French Government's position at this stage is a delicate one. We have all been reluctant to urge our views to the point of real embarrassment for the Foreign Office. Furthermore the French group is distinctly of the opinion that the formula of their Foreign Office will constitute an executive and exclusive support and it favors the view of the Foreign Office rather than our own. The view of all of us here is [that] French formula, as composed, is so complete as to constitute no real change and that it would be well, if possible, to accept it without further discussion. This view is also reinforced [by] the belief that this interrogation [*sic*] may also assist in the solution of the present British situation. On this latter point Lamont will confer with Addis and British Foreign Office and Treasury officials in London on Friday.

Referring to your 8699, June 23rd, 4 p.m., Lamont has communicated with French group which is now considering matter and will secure views of British on Friday. I have taken steps to ascertain and will advise the Department as promptly as possible what the attitude of the French and British Government is with reference to the proposal to proceed as a three power group under the conditions stated. With the approval of French and British groups Lamont

<sup>25</sup> *Ante*, p. 447.

<sup>26</sup> *Ante*, p. 443.



has handed to Odagiri reply to his recent letter in which he advised that as far as the banking groups are concerned any attempt to exclude Mongolia and Manchuria from the scope of the consortium would be inadmissible. He adds:

“The whole question that you bring up is one of such grave importance that we feel it is beyond the immediate competence of the financial groups to discuss. I am therefore bringing the matter to the attention of the Department of State at Washington. I presume that the other groups will take similar action with respect to their own Foreign Offices.”<sup>27</sup>

WALLACE

893.51/2284 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, June 26, 1919, noon.

[Received 3.10 p.m.]

Chinese Chargé d’Affaires has telegraphed outline of new [international] consortium proposal contained in a note from the De-

<sup>27</sup>The final text of Mr. Lamont’s reply, a copy of which was transmitted to the Department of State, at its request, by the American group, July 19, 1920, is as follows (File No. 893.51/2876):

PARIS, June 23, 1919.

DEAR SIR: I have before me your letter of June 18, delivered to me at London and communicating to me for the information of the American Group the instructions which you have received from Tokio as to “the rights and options held by Japan in the regions of Manchuria and Mongolia where Japan has special interests.” You have, as I understand it, sent a letter in a similar sense to Sir Charles Addis, of the Hongkong and Shanghai Banking Corporation for the British Group, and M. Simon, of the Banque de l’Indo-Chine, for the French Group.

For your information I beg to state that I have conferred informally with both the British and French Groups, and our views of the matter that you bring up are in accord. We cannot but believe that there is some misunderstanding upon the part of your principals in the matter, for if they were to make such an attitude final, the effect upon the relation of Japan to the New Consortium would be obvious. Mongolia and Manchuria are important parts of China, and any attempt to exclude them from the scope of the Consortium must be inadmissible. The “special interests” to which you allude have, in our opinion, never had to do with economic matters.

The whole question that you bring us is one of such grave import that we feel that it is beyond the immediate competence of the financial groups to discuss, and I am therefore bringing the matter to the attention of the Department of State at Washington. I presume that the other groups will take similar action with respect to their own Foreign Offices.

We have noted your reference to the declaration made by Mr. Takeuchi on behalf of the Japanese Banking Group and recorded in the Minutes of the Conference on June 18, 1912, at meeting of the six banking groups held in Paris on that date. For your information I beg to recall to you that at the same time there was recorded in the Minutes of the Conference the following declaration: “The British, German, French and American Groups stated that they were unable to accept or consider either of these declarations upon the ground that they were not competent to deal with political questions.” This declaration was accepted in conformity with the statement made by the Japanese Ambassador to Mr. Addis in London on June 11, 1912.

I remain [etc.]

THOMAS W. LAMONT

partment. In publishing this telegram the Japanese controlled press bitterly attacks the consortium. Individual Japanese here inform Chinese officials Japan will not consent. Effort is evidently to induce certain factions in China to oppose the consortium as the pro-Japanese clique is already doing. Local Japanese paper calls the plan tantamount to the partition of China's remaining rights and a recognition of the various spheres of influence also a monopoly destructive of China.

I have been informed of a project to induce the Chinese to make a proposal for a loan to the old consortium in which case the Japanese would continue the lead they have taken there and would be in a position to propose terms to the new consortium. This would sufficiently complicate the game for their purpose. The earliest possible formal notification of the formalities of new consortium is essential.

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REINSCH

893.51/2275: Telegram

*The Acting Secretary of State to the Ambassador in France  
(Wallace)*<sup>28</sup>

WASHINGTON, June 26, 1919, 1 p.m.

2429. Your No. 891, June 21, 12 p.m.<sup>29</sup>

For Marshall: American Group is willing to proceed as outlined. Department will proceed as soon as we hear from the British provided their answer is favorable.

POLK

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893.51/2286: Telegram

*The Commission to Negotiate Peace to the Acting Secretary of State*

PARIS, June 28, 1919, 10 p.m.

[Received June 29, 1.30 a. m.]

2866. T. W. Lamont reports to us as follows for transmission to Breckinridge Long and the American group.

1. Formation three power consortium. Replying to recent inquiry, French group expresses willingness to undertake formation three power consortium if so requested by its Government but believes that both financially and politically such step is very questionable and should be taken only as last resort.

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<sup>28</sup> The same, June 26, to the Ambassador in Great Britain with instructions to advise Lamont.

<sup>29</sup> *Ante*, p. 453.

✓ 2. British group is, if anything, even more doubtful of expediency or workability of three power consortium. Is very hopeful that Japan can be kept in line. Has not yet given categorical reply, Yes or No, to question of willingness to join in three power consortium.

. 3. Addis has conferred further with Japanese representatives in London, who are insistent upon their good faith in agreeing with us as to unwisdom of Tokio action, and reiterate their earnest hope that they may be able to change such action.

4. Odagiri returned to Paris today and states to me again that his personal views as to the unwisdom of proposed Japanese exclusion Mongolia and Manchuria are quite in accord with ours. He intimates that possibly his Government will inquire from British Foreign Office whether Thibet is to be understood as being included within scope of consortium. Odagiri asking Tokio to instruct him to proceed to America next month to discuss situation finally with American group.

5. Because of personal acquaintance with various officials here of British Foreign Office, have ventured to chat with them entirely unofficially and have secured an impression of their personal views as to Government's proposed attitude towards Japan. They naturally state that any final decision in matter must emanate from Foreign Office in London. Their own reaction is that Government should take up towards Japan perfectly firm but not threatening attitude. They will consult Addis, whose political judgement they have respect for.

6. They point out that Chinese situation *vis a vis* Japan is very delicate just now owing to Shantung incident, etc. They express belief that it may be necessary for British Foreign Office to cable to Ministries at Peking and Tokio to secure advice upon any note that is submitted to Japanese Government, but as already stated, they incline to view that firmness now by the three Governments on the Chinese consortium will be help rather than hindrance to general political situation.

✓ 7. After these informal discussions that I have had with friends in London and Paris, my impression is that financial groups, both in London and Paris, will be likely to advise their respective Governments in a sense so that Governments would be better satisfied to see the last two sentences in the American note as suggested toned down somewhat so as to intimate nothing as to the possibility of proceeding without Japan. An intimation might [not] be unwise that the plans of the consortium are, as is already well known, to include a Belgian group in the near future, and as soon as a stable government is established in Russia, a Russian group; thus indicating that with the inclusion of Japan there is likely to be consti-

tuted in the near future a six power group of strong validity and enduring importance. The obvious inference would be that Japan could not afford to read herself out of such a group for the doubtful possibility of linking up with a discredited Germany.

[8.] Carter<sup>30</sup> has been constantly in touch and has now brought Stettinius<sup>31</sup> fully up to date so that those two can carry on after my departure. Stettinius will probably go to London end of next week for informal conversations which I had had in mind. Sailing on *George Washington*, therefore able to discuss in person with you in near future.

[9.] Marshall has very clear and intelligent understanding of whole situation and is most competent.

AMERICAN MISSION

893.51/2279 : Telegram

*The Acting Secretary of State to the Ambassador in France  
(Wallace)*

WASHINGTON, July 1, 1919, 4 p.m.

8804. Your 917, June 25, 8 p.m.

If it should be necessary in order to meet the objections of the French and British Foreign Offices the Department would accept, as an interpretation of the bankers agreement of May 12, the formula proposed in your 649, June 6, 11 p.m.,<sup>32</sup> in the following slightly modified form:

“The Governments of each of the four participating groups undertake to give their complete support to their respective national groups members of the consortium in all operations undertaken pursuant to the resolutions and agreements of the 11th and 12th of May, 1919, respectively, entered into by the bankers at Paris. In the event of competition in the obtaining of any specific loan contract the collective support of the diplomatic representatives in Peking of the four Governments will be assured to the consortium for the purpose of obtaining such contract”.

You will note that the principal change is in pledging each government to the support of its respective national group rather than to the consortium collectively. This proposed change makes the formula more in accord with the actual facts and with our established practice.

Referring to the second part of your telegram Department recommends to suggest orally to the British and French Foreign Offices

<sup>30</sup> J. R. Carter, a representative of the American banking group. ✓

<sup>31</sup> Edward R. Stettinius, associated with J. P. Morgan & Co. ✓

<sup>32</sup> See despatch No. 169, June 7, p. 443.

that those Governments promptly approve and confirm the reply of the American, British and French banking groups to the effect that any attempt to exclude Mongolia and Manchuria from the scope of the consortium would be inadmissible. Such an understanding would clear the way for any further action that might be necessary or desirable. Department is preparing to do as outlined.

If the Secretary concurs in the above suggestions please instruct London accordingly.

PHILLIPS

893.51/2293 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, July 2, 1919, noon.

[Received July 2, 12.05 p.m.]

My telegram June 11th, 3 p.m.<sup>33</sup> The Chinese Chargé d'Affaires has reported that the Department received *demarche* with the statement that nothing could be done as the new consortium had not yet been formed. This has greatly discouraged the Government here although of course no other answer could have been given. It appears to me of the greatest importance that when the Chargé d'Affaires approaches leading bankers, he should be given definite encouragement, however, conditioned on either restoration of unified Government or agreement to share proceeds with Southern provincial authorities and, particularly, acceptance of a definite disbandment policy to be begun out of the advance made. A definite promise to afford assistance immediately certain conditions are met, will restore American influence and stabilize the situation.

The influence now exercised by the Japanese is being used to turn the Government officials against the new consortium, particularly railway unification.

My telegram June 25 [26], 12 a.m. [noon,] considerations reported in paragraphs two and three are gaining in strength every day.

REINSCH

893.51/2285

*The Acting Secretary of State to the Chinese Chargé (Yung Kwai)*

MEMORANDUM

The Memorandum of the Chargé d'Affaires *ad interim* of China, dated June 30 [20], 1919,<sup>34</sup> and relating to the proposal of the Gov-

<sup>33</sup> Not printed; see memorandum of June 20 from the Chinese Chargé, p. 453.

<sup>34</sup> *Ante*, p. 453.

ernment of China to negotiate immediately with the new International Consortium a loan of about \$50,000,000, was promptly referred to the American Group of bankers, members of the proposed new consortium, for their consideration.

A reply has now been received from the American Group to the effect that a necessary condition precedent to any such loan negotiation would be the completion of the new consortium, which as yet has not been formally accomplished.

Another necessary condition, in the view of the Department of State, would be a substantial agreement between the contending political parties in China.

WASHINGTON, *July 2, 1919.*

893.51/2292

*The Acting Secretary of State to the Japanese Chargé (Debuchi)*<sup>35</sup>

WASHINGTON, *July 3, 1919.*

SIR: Referring to previous correspondence regarding the organization of a new International Consortium for financial business in China I have the honor to inform you that I have instructed the American Embassies at Paris and London to inform the French and British Governments that the Department will accept as an interpretation of the bankers' agreement of May 12th the following slightly modified form of the formula submitted by the French Government:

"The Governments of each of the four participating groups undertake to give their complete support to their respective national groups members of the consortium in all operations undertaken pursuant to the resolutions and agreements of the 11th and 12th of May, 1919, respectively, entered into by the bankers at Paris. In the event of competition in the obtaining of any specific loan contract the collective support of the diplomatic representatives in Peking of the four Governments will be assured to the consortium for the purpose of obtaining such contract."

You will note that the principal change is in pledging each Government to the support of its respective national group rather than to the consortium collectively. This proposed change makes the formula more in accord with the actual facts and with the established practice of this Government.

The American Ambassador at Tokyo is being instructed to communicate the above to the Japanese Foreign Office.

Accept [etc.]

WILLIAM PHILLIPS

<sup>35</sup> Essentially the same, on the same date, to the British and French Chargés.

893.51/2293 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, July 3, 1919, 9 p.m.

Your July 2, noon. The statement of the Department to the Chinese Chargé was based upon a personal conference with the American Group and was known to represent their attitude, which has since been formally confirmed. The bankers are unwilling to make any definite commitment until the new consortium is completed.

An assurance that financial assistance would be forthcoming when the conditions were met has been outstanding since November last. (See Department's November 16, 6 p.m.<sup>36</sup>) The Department has made it clear in subsequent instructions that, so far as this Government is concerned, this assistance must be rendered through the American Group as a member of the consortium. (See Department's January 4, 2 p.m.<sup>37</sup>)

PHILLIPS

893.51/2310 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, July 11, 1919, 4 p.m.

[Received July 14, 2.34 p.m.]

My telegram July 7, 1 p.m.<sup>38</sup> I beg to request full information concerning status of consortium. Its early conclusion, and beginning of operations is essential if dangerous conditions here are to be removed.

*Bona fide* discussion in China has revealed apprehension of Chinese leaders on two points. They fear an attempt will be made to superimpose upon Chinese administration a foreign civil service such as exists in the customs, they also fear bad effects of monopoly. These fears will be assuaged if it can be stated that consortium demands will not go beyond requirements of security, namely, strict publicity of accounts and systematic civil service based on merit; that foreign interests will confine themselves to testing through inspectors, honest execution of these by the Chinese Government, insisting upon specific improvement where necessary; but that administration will remain Chinese.

As regards monopoly control the consortium would certainly be entitled to full information as to all financial transactions of the Chinese Government before any individual deal is consummated; I

<sup>36</sup> *Foreign Relations*, 1918, p. 120.<sup>37</sup> *Ante*, 421.<sup>38</sup> Not printed.

believe that this would be sufficient to assure sound finance, particularly if parliamentary sanction of loans is ready. It will after all be a question of influence and the influence created by the consortium will be sufficient to assure sound finance. If this influence does not exist, roundabout ways can always be found for financial deals though they may be expressly ruled out by the agreements. I believe therefore that the consortium would be safe and would at the same time avoid the imputation of monopoly by merely stipulating that as chief supporters of the credit of the Chinese Government they should have information of all domestic and foreign loans of the Chinese Government before consum[er]tion; at most the consortium might reserve to itself all administratives and possibly an option on industrials at a rate offered by others. Previous information concerning industrials and the balanced control, checking up the application of proceeds to purposes designated will be sufficient for sound finance. Influence created is the essential thing, without its exercise no agreement will give protection, with it the agreement itself may be liberal in terms.

It is reported Japan desires to exclude Manchuria, Mongolia, and possibly Shantung from the operation of the consortium. . . . The entire object of this reform would be defeated if in its very creation exclusive spheres were to be delimited. As America has not forfeited her right to deal directly with China we could at any time make an independent loan which would immediately solve the present troubles of China by putting into the hands of the President the means necessary for disbandment of troops and reorganization upon approval by a new national parliament. The mere announcement of such an intention would undoubtedly bring Japan into line. Other nations might be invited to join in the loan.

REINSCH

893.51/2308 : Telegram

*The Ambassador in France (Wallace) to the Acting Secretary of State*

PARIS, July 13, 1919, 1 p.m.

[Received 2.35 p.m.]

1087. Pursuant to Department's telegraphic instruction 8804, July 1, I have handed to Minister for Foreign Affairs the suggested formula for interpretation of the Bankers Agreement of May 12th and in course of interview with Mr. Pichon advanced Department's suggestion relative to inadmissibility exclusion of Mongolia and Manchuria. Mr. Pichon, though expressing certainty as to ultimate



accord with United States on all matters relating to consortium, deferred official reply until consultation with technicians [*sic*].

Subsequent informal discussions on this matter at the Foreign Office show that the text is acceptable to the French Government although I have not yet received official confirmation.

As regards making representations with the American and British Governments to the Japanese Government regarding an exclusion of Mongolia and Manchuria, the Foreign Office seems disposed to move with considerable caution and though it appears favorable to the policy [of] not permitting the exclusion of these two regions, nevertheless is not disposed to take such steps as would risk excluding Japan from the consortium. I learn that the Foreign Office is in consultation on this subject with other departments of the French Government and with the British as well and until hearing from these will not make a definite answer on this point.

WALLACE

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893.51/2311 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, July 16, 1919, 4 p.m.

[Received July 16, 10.11 a.m.]

China has applied to old consortium banks for advance six monthly installments, \$4,000,000 each, secured on salt revenue. The British, French, Japanese group representatives have telegraphed their principals that, although they are not in favor of proposed advances, they point out that option on salt security revenue is still held by old consortium bank from the point of view of Chinese and that refusal of present application will entitle Chinese Government to apply to others. They propose that new consortium fix definite date for commencement negotiations, upon which Chinese can be informed that application will then be considered. Russian group not informed of above telegram.

REINSCH

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893.51/2342

*The Ambassador in France (Wallace) to the Acting Secretary of State*

No. 252

PARIS, July 17, 1919.

[Received July 31.]

SIR: In confirmation of my telegram No. 1098 of yesterday's date,<sup>39</sup> transmitting the reply of the Minister for Foreign Affairs relative to the formula to be adopted as the interpretation of the support which will be given by the American, French, British and Japanese Gov-

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<sup>39</sup> Not printed.

ernments, to the agreement concluded on May 12th between the financial groups constituting the new Consortium in China, I have the honor to enclose herewith copy and translation of Mr. Pichon's note.

I have [etc.]

HUGH C. WALLACE

[Enclosure—Translation]

*The French Minister of Foreign Affairs (Pichon) to the American Ambassador (Wallace)*

MR. AMBASSADOR: By a note dated the 7th of this month, Your Excellency was good enough to propose the following formula as interpreting the support which the American, French, British and Japanese Governments intend giving to the agreement concluded on May 12th last between the financial groups constituting the new Consortium in China:

“The Governments of each of the four participating groups undertake to give their complete support to their respective national groups, members of the consortium, in all operations undertaken pursuant to the resolutions and agreements of the eleventh and twelfth of May 1919 respectively, entered into by the bankers at Paris. In the event of competition in the obtaining of any specific loan contract, the collective support of the diplomatic representatives in Peking of the four Governments will be assured to the consortium for the purpose of obtaining such contract.”

I have the honor to inform Your Excellency that, in accordance with the communications exchanged recently with your Embassy, the above is indeed the interpretation of the support that the French Government gives to the arrangement which has been reached between the financial groups. It seems to it therefore that the above formula should be adopted.

Kindly accept [etc.]

S. PICHON

PARIS, *July 16, 1919.*

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893.51/2315: Telegram

*The Ambassador in Great Britain (Davis) to the Acting Secretary of State*

LONDON, *July 18, 1919, 7 p.m.*

[*Received July 18, 5.56 p.m.*]

2578. Your 5644, July 11, 5 p.m.<sup>40</sup> Foreign Office regards the claim of Japanese group to exclude Manchuria and Mongolia from sphere of activities of consortium as totally inadmissible.

DAVIS

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<sup>40</sup> Not printed.

893.51/2367

*The Ambassador in Great Britain (Davis) to the Acting Secretary of State*

No. 1061

LONDON, July 21, 1919.

[Received August 14.]

SIR: With reference to the first portion of the Department's telegram No. 8804 of July 1, 4 p.m.,<sup>41</sup> to Paris, and my telegraphic reply No. 2577 of July 18, 7 p.m.,<sup>42</sup> to the Department, I have the honor to transmit herewith enclosed a copy of the Foreign Office note and its enclosure, to which I made reference, relative to the acceptance by the British Government of the American formula regarding the measure of support to be accorded by the Governments concerned to their respective national groups forming part of the new International Consortium to provide loans to China.

Copies of these enclosures have been sent to the American Commission to Negotiate Peace under cover of my despatch No. 168, and to the American Embassy at Paris accompanied by my letter No. 144, both dated July 19, 1919.

I have [etc.]

JOHN W. DAVIS

[Enclosure]

*The British Acting Secretary of State for Foreign Affairs (Curzon)  
to the American Ambassador (Davis)*

No. 100098/10.F.

[LONDON,] July 17, 1919.

YOUR EXCELLENCY: I have the honour to acknowledge the receipt of Your Excellency's note No. 480 of the 8th instant, in which you communicated to me a formula regarding the measure of support to be accorded by the Governments concerned to their respective national groups forming part of the new International Consortium to provide loans to China.

In reply I beg to state that, subject to the concurrence of the other Governments concerned, His Majesty's Government are prepared to accept the American formula as correctly defining the British attitude on this question. They are informing the French Government of this decision and of the reasons which have led them to prefer the American formula to that originally proposed by Monsieur Pichon, as will be seen from the memorandum to the French Embassy, copy of which I beg to enclose for Your Excellency's information.

<sup>41</sup> *Ante*, p. 461.<sup>42</sup> Not printed.

I presume that the United States Government have taken the necessary steps to obtain the consent of the Japanese Government to the adoption of the proposed formula.

I have [etc.]

(For Earl Curzon of Kedleston)

J. A. C. TILLEY

[Subenclosure]

*The British Acting Secretary of State for Foreign Affairs (Curzon)  
to the French Ambassador (Cambon)*

No. 100098/10.F.

MEMORANDUM

By his memorandum of June 19th the French Chargé d'Affaires was kind enough to communicate to Earl Curzon of Kedleston a copy of a note addressed by M. Pichon to the American Ambassador on the subject of the resolution and draft agreement adopted at the meetings held in Paris on the 11th and 12th of May by representatives of the French, British, American and Japanese groups forming the new International Consortium for financing loans to China. Monsieur de Fleuriau at the same time asked to be informed whether the views of the French Government as expressed in the note met with the concurrence of His Majesty's Government.

Lord Curzon has delayed replying to Monsieur de Fleuriau's memorandum as he knew that the American Government were making counter-proposals to the French Government and he considered that it would avoid confusion if he were first put in possession of those counter-proposals before proceeding to discuss the merits of the original French proposals and of the formula suggested by Monsieur Pichon to define the measure of diplomatic support to be given by the Governments to the Groups.

The French Ambassador is doubtless aware that, for reasons analogous to those set out by Monsieur Pichon in his note to the American Ambassador, as having influenced the French Government in their decision, His Majesty's Government have found it impossible to give a guidance [*assurance?*] of exclusive support to the British Group, and they were therefore prepared, in principle and subject to the concurrence of the other Governments interested, to approve the text of the formula suggested by Monsieur Pichon.

They have however now received from the United States Ambassador the text of a slightly modified formula which the United States Government are prepared to accept as an interpretation of the measure of diplomatic support contemplated in the Inter-Group Agreement of May 12th.

This formula runs as follows:

"The Governments of each of the four participating groups undertake to give their complete support to their respective national groups, members of the Consortium, in all operations undertaken pursuant to the resolutions and agreements of the 11th and 12th May, 1919, respectively, entered into by the Bankers at Paris. In the event of competition in the obtaining of any specific loan contract the collective support of the diplomatic representatives in Peking of the four Governments will be assured to the Consortium for the purpose of obtaining such contract."

In Lord Curzon's opinion the American formula is in full accord with the intentions of the French Government as expressed in their formula, the principal change being that each Government is pledged to the support of its respective national group rather than of the Consortium collectively, which is more in accord with established facts and with the practice hitherto pursued by the Governments.

For these reasons Lord Curzon is inclined to prefer the American formula, and he has the honour to inform Monsieur Cambon that, subject to the concurrence of the other Governments concerned, His Majesty's Government would favour its adoption as defining the measure of support which they are prepared to give to the British group in their operations in connection with the Consortium.

[LONDON,] *July 17, 1919.*

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893.51/2334 : Telegram

*The Ambassador in France (Wallace) to the Acting Secretary of State*

PARIS, *July 24, 1919, 7 p.m.*

[*Received July 25, 2.04 a.m.*]

1152. Foreign Office considers that it is wholly inadmissible that Manchuria and Mongolia should be excluded from the sphere activities of the consortium but in making this oral statement insists that no use should be made thereof in any action or representations which would tend to eliminate Japan from participation in the consortium.

In the conversation it developed that the French Foreign Office is strongly opposed to the elimination of Japan from the consortium, being apprehensive that should this occur Japan's isolation would impel her to seek alliance with Germany in financial and commercial matters in China, which if consummated would so influence Chinese Government that the interests of other powers in China would be seriously jeopardized.

Above repeated Embassy at London.

WALLACE

893.51/2335 : Telegram

*The Ambassador in Great Britain (Davis) to the Acting Secretary of State*

LONDON, July 25, 1919, 11 a.m.

[Received July 25, 10.35 a.m.]

2618. My telegram 1443<sup>43</sup> and despatch 432 March 19th<sup>44</sup> regarding international consortium for providing loans to China. Earl Curzon in note dated July 22nd just received calls attention to fact that British group have unfortunately found it impossible to comply with the condition as to its enlargement, in such a manner as to render it sufficiently representative of British financial houses of good standing interested in loans to China to prevent criticism on the ground of exclusiveness, and states that he has reluctantly been forced to conclusion that in this matter it is not [*now?*] impossible to attain finality or to satisfy all present and future claimants to participation; that British Government would not feel justified in conferring a monopoly of official support on a group, the constitution of which conflicts with the most essential of the conditions laid down by them; that he has informed British group that British Government will continue as hitherto to afford them the fullest possible measure of support in all operations arising out of their connection with the consortium; and that the scope of that support is clearly defined in the formula contained in your 8804 July 1 to Paris<sup>45</sup> and accepted by British Government as communicated in my telegram of July 18th, 2577,<sup>43</sup> and my despatch 1061, July 21st. The note adds that for purpose of the consortium as proposed by the United States Government, British Government desire that British group as at present constituted should on strength of their established and predominant position in China be regarded as the representative British partner in the consortium even though they are unable to give them a guarantee of exclusive official support. American Mission and American Embassy Paris informed to-day by my despatches numbers 171 and 151 respectively.

DAVIS

893.51/2383

*The Department of State to the Japanese Embassy*

MEMORANDUM

The Government of the United States is informed that, at the bankers conference held in Paris during May and June last to discuss matters relating to the new consortium for China, the Jap-

<sup>43</sup> Not printed.

<sup>44</sup> *Ante*, p. 426.

<sup>45</sup> *Ante*, p. 461.

anese financial delegates, acting under instructions from their principals, asserted that "all the rights and options held by Japan in the regions of Manchuria and Mongolia where Japan has special interests should be excluded from the arrangements for pooling provided for in the proposed agreement," because of "the very special relations which Japan enjoys geographically and historically with the regions referred to and which have been recognized by Great Britain, the United States, France and Russia on many occasions."

The Government of the United States is further informed that the position taken by the representative of the American Group, with the approval of the British and French financial representatives, was that, so far as the banking groups were concerned, any attempt to exclude Mongolia and Manchuria from the scope of the consortium would be inadmissible; but that the whole question raised was one of such grave importance that it was felt to be beyond the immediate competence of the financial groups to discuss, and that he would, therefore, bring the matter to the attention of his Government.

The Imperial Japanese Government has not indicated that it shares the opinion expressed by the Japanese bankers; but inasmuch as the question raised by the latter has been referred to this Government by the American representative, it is felt to be appropriate to bring the matter to the notice of the Imperial Government.

It may be that the Japanese banking group is under a misapprehension as to the objects and purposes of the consortium, which are to make loans to the Central Government of China, or to the provincial governments, for administrative or industrial purposes and to include all such loans as have the guarantee of the Central Government or any of the provincial governments and which involve a public issue. They do not, however, contemplate the elimination of private enterprise or the activities of financial or industrial corporations, nor would it be the desire of this Government that they do so.

The Imperial Japanese Government will readily understand that the Government of the United States could not consistently consent that the American bankers agree to the reservation proposed, for the reason that it is believed to be an essential prerequisite to the proper functioning of the consortium that all Chinese business of the classes proposed as appropriate for the activity of the consortium be available for it. Reservations of regions can only impair its usefulness as an instrument for good, and limitations on its activity can only detract from its utility as a means for promoting international co-operation among those most interested in China. Moreover, as all

other parties to the arrangement have agreed to pool their rights and options without other reservation than that contained in the terms of the agreement itself, it is only equitable that the same rule should apply to all alike.

If the Government of Japan is unable to convince the Japanese bankers of the justness of adhering, without reservation, to the agreement as accepted by the bankers representing the groups of the United States, Great Britain and France, the Government of the United States will receive the information with keen disappointment and sincere regret; for it is felt that the relations established during the Great War between these and other nations have laid a basis upon which the work of peace might be erected by cordial cooperation and to their mutual advantage. The Government of the United States believes that the consortium is one of those mediums for constructive work through which the helpful spirit of the relations which were so cemented during the war may be translated into coöperative action. That this view is not held alone by the Government of the United States is evidenced by the desire on the part of the British and the French Government[s] to coöperate in the consortium and by the requests for representation therein from the Government of Belgium, and from the bank of Russia, both of which are now under consideration. It is, therefore, the confident hope of this Government that the Imperial Japanese Government will also share this view, and will so inform the Japanese banking group.

WASHINGTON, *July 30, 1919.*

893.51/2342b: Telegram

*The Secretary of State to the Ambassador in Great Britain (Davis)*

WASHINGTON, *July 31, 1919, 4 p.m.*

5754. The following is the full text of a memorandum relating to the consortium which was delivered to the Japanese Chargé d'Affaires here on July 30:

[Here follows the memorandum printed *supra.*]

You may hand a copy of the above to the Foreign Office and suggest the desirability of representations to the same effect by the British Government. Please report results. Repeat to Embassy Paris for like action and for the information of the American Mission.

LANSING



893.51/2336 : Telegram

*The Secretary of State to the Ambassador in France (Wallace)*<sup>46</sup>

WASHINGTON, July 31, 1919, 9 a.m.

8974. The Department is informed by the Legation at Peking, in a telegram dated July 25,<sup>47</sup> that responsibility for [*request to?*] the old consortium is accompanied by a continued propaganda aimed at the new one by the Communications clique which is allied with the Japanese. The Japanese Minister has stated that while he has not offered the Chinese Government an advance on account of the old consortium he does not see any reason why such an advance could not be made.

The Department is confidentially informed in this connection that the Chinese Syndicate, which is composed of pro-Japanese elements, has handed to the President of China a memorandum to the effect that with the assistance of Japan the admission of the Chinese Syndicate to the new consortium has been arranged; that the Belgian, Japanese and French Groups have agreed to work hand in hand with the Chinese; and that while the British are doubtful a majority as above is assured. The memorandum urges the President to oppose a monopoly of industrial loans. The Chinese Syndicate proposes that it should be consulted before any loans are proposed or foreign agents engaged and that for thus acting as the agent of the Chinese Government it is to receive a commission on all loans.

The Department is further informed that a bill has been introduced in the Peking Parliament which attacks the new consortium, especially on the ground of monopoly of industrial loans.

Discreetly ascertain if the French Foreign Office has any information confirming the above report.

Repeat to London for similar action and hand copy to the Mission for information.

LANSING

893.51/2384

*The Italian Ambassador (Macchi di Cellere) to the Secretary of State*

WASHINGTON, August 8, 1919.

MY DEAR MR. SECRETARY OF STATE: In July 1918, the State Department issued a statement announcing the particulars of a loan to the Chinese Government, which a group of American bankers

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<sup>46</sup> See last paragraph for instruction to repeat to London.

<sup>47</sup> Not printed.

were then arranging in agreement with the State Department, and in which the hope was expressed that bankers of Great Britain, Japan and France would be associated with the American bankers and that to this end negotiations were in progress between the Government of the United States and the Governments of the named countries.<sup>48</sup>

It would now appear that these negotiations are being concluded these very days at Washington, and my Government understands that any request for participation in the syndicate which is being formed, is to be addressed to the American Government as the one which took the initiative thereto. It would further appear that participation in this syndicate by a power other than the United States, France England and Japan is to be decided by the syndicate itself as soon as it is formed.

With reference to the premises I beg leave to bring to your notice that the Italian Government is desirous that Italian bankers should participate in Chinese loans equally with the bankers of the above mentioned powers. I express my every confidence that the views of the Italian government in this respect will receive your most favorable consideration, and I shall appreciate it if you will bring this same notice to the attention of the new syndicate for its favorable action.

Accept [etc.]

MACCHI DI CELLERE

893.51/2363 : Telegram

*The Ambassador in France (Wallace) to the Secretary of State*

PARIS, August 11, 1919, midnight.

[Received August 12, 2.45 a.m.]

1256. Your 8974, July 31, 9 p.m. [a.m.]. Informal inquiries at the Foreign Office on two previous occasions have not disclosed the knowledge by that Department of the information contained in your said 8974. In further informal [reference?] to this subject in conversation at the Foreign Office this afternoon it was stated that no information of this nature has been received nor any information from the French Legation at Peking tending to show activity on the part of the Chinese Syndicate as indicated in the report contained in the above referred to telegram.

At my request Mr. Carter has made discreet inquiry of the Banque de l'Indo Chine, representative of the French group, and states that judging from the letters from the bank's representatives in China

<sup>48</sup> For press statement, see telegram of July 30, 1918, to the Chargé in China, *Foreign Relations*, 1918, p. 182.

exhibited to him there seems to be no foundation for the statement in the memorandum to the effect that the French group had agreed to work with the Chinese Syndicate.

Mr. Carter informs me that it is evident from the above mentioned correspondence that the general views of the Banque de l'Indo Chine are in accord with those of our own group as to the disadvantage of [admitting] to the new consortium the Chinese Syndicate, as at present constituted. It is understood that Mr. Lamont is cognizant of the reception given to the representative in Paris of Liang Shih-yi and his associates when suggesting to the Banque de l'Indo Chine the advisability of admitting the Chinese Syndicate to representation in the consortium and of the bank's reply that the matter should be submitted to the various groups and Governments for their consideration.

Above repeated to London for its information.

WALLACE

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893.51/2384

*The Secretary of State to the Italian Ambassador (Macchi di Cellere)*

WASHINGTON, August 12, 1919.

EXCELLENCY: In acknowledging your communication of August 8, 1919, stating that the Italian Government is desirous that Italian bankers should participate in Chinese loans in connection with the new consortium which is being organized by British, French, Japanese and American bankers, I have the honor to state that at the Bankers' Meeting at Paris of May 11 and 12 it was agreed to consider the admission of members of bank groups representing other countries after the organization of the consortium had been perfected. This question is one primarily for the consideration of the bankers and the Department is laying it before the American Group. In placing this matter before the American Group the Department, while unable to press the matter, is stating that it views with sympathy the desires of the Italian Government.

Accept [etc.]

ROBERT LANSING

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893.51/2366 : Telegram

*The Ambassador in Great Britain (Davis) to the Secretary of State*

LONDON, August 14, 1919, 7 p.m.

[Received August 15, 2 a.m.]

2799. Your telegram No. 5780, August 7, 4 p.m.<sup>49</sup> Following is the text of memorandum addressed by the British Foreign Office on

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<sup>49</sup> Not printed.

the 11th instant to the Japanese Ambassador urging the withdraw[al] of claim of Japanese group for the exclusion of Manchuria and Mongolia from the scope of the consortium.

“On the 22d of last March Earl Curzon, of Kedleston, had the honor to address to the Japanese Ambassador a note on the subject of the British participation in the international consortium for providing loans to China. This note will have made it clear to Viscount Chinda that, with the exception of the condition concerning exclusive official support to the British group—a point which has been satisfactorily settled by the adoption of the American formula defining the measures of support to be accorded by the Governments concerned to their respective national groups—His Majesty’s Government have accepted, in their entirety, the original proposals of the American Government for the formation of the international consortium as set out in a note addressed by Lord Curzon to the Japanese Charge d’Affaires on March 22d last. This scheme, as Viscount Chinda is doubtless aware, comprises the pooling by the groups of their existing and future options in China, except such concession[s] as may already be in operation.

His Excellency has probably also had occasion to study the minutes of the inter-group meetings held in Paris on the 11th and 12th of May last, at which resolutions were unanimously adopted, subject of course to the approval of the Governments concerned, providing for the pooling by the groups of all their existing loan agreements and options involving a public issue and even pledging the groups to use their best endeavors to induce other parties who may possess or control any such agreements or options to surrender the same to the consortium.

At the present moment the British, American and French Governments have all informed their respective groups of their approval of these minutes subject always to the American definition of the measure of official support to be accorded to them but, so far as Lord Curzon is aware, no such approval has as yet been intimated by the Japanese Government with the result that the urgent work of organizing the consortium has been brought to a standstill.

His Majesty’s Government have heard with the utmost regret that the Japanese financial delegates in Paris, acting under instructions from their principals, have informed their colleagues that “all the rights and options held by Japan in the regions of Manchuria and Mongolia, where Japan has special interests, should be excluded from the arrangements for pooling provided for in the proposed agreement” because of “the very special relations which Japan enjoys geographically and historically with the regions referred to and which have been recognized by Great Britain, the United States, France and Russia on many occasions”.

His Majesty’s Government are further informed that the position taken by the British, American and French groups towards this claim of the Japanese group was that any attempt to exclude Manchuria and Mongolia from the scope of the consortium would be inadmissible but that the whole question raised was one of such grave importance that it was felt to be beyond the immediate com-

petence of the groups to discuss and must therefore be referred to the decision of the Governments.

In these circumstances His Majesty's Government feel justified in bringing this matter to the notice of the Japanese Government, as they hear has already been done by the American Government, and requesting them to direct the Japanese group to modify their attitude on this all important point.

One of the fundamental [objects] of the American proposals as accepted by the British, Japanese and French Governments, is to eliminate special claims in particular spheres of interest and to throw open the whole of China, without reserve, to the combined activities of an international consortium. This object cannot be achieved unless all the parties to the scheme agree to sacrifice all claims to enjoy any industrial preference within the boundaries of any political sphere of influence. Manchuria and Mongolia are important provinces of China and any attempt to exclude them from the scope of the consortium would constitute a direct negation of the principle on which the consortium is based, would provoke the revival of similar claims on the part of other nations and [thus] perpetuate the very difficulties which the consortium is designed to obviate. Moreover as all other parties to the arrangements, except the Japanese group, have agreed to pool their rights and options, without other reservation than that contained in the terms of the agreement itself, it is only equitable that the same rule should apply to all alike.

His Majesty's Government have every reason to believe that the Japanese Government will share these views and will cause the Japanese group to withdraw their claim to the exclusion of Manchuria and Mongolia from the scope of the consortium."

Foreign Office state that a copy of this memorandum has been communicated to the French Ambassador for the information of his Government. Repeated to Paris.

DAVIS

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893.51/2375 : Telegram

*The Ambassador in France (Wallace) to the Secretary of State*

PARIS, August 20, 1919, 4 p.m.

[Received 7.45 p.m.]

1297. I showed the Minister for Foreign Affairs this morning copy of the British memorandum of August 11 to the Japanese Ambassador at London, a copy of which was received by telegraph from London, and I urged that the French Government take similar action to support the communications thus made by Great Britain and the United States. I also called his attention to the strong phraseology of the British communication and said that I considered it to be of paramount importance that the Japanese Government

should be impressed with the fact that the French, British, and American Governments were in complete accord in regard to the scope of the consortium in China.

Mr. Pichon assured me that his Government would certainly take steps to support the stand taken by America and Great Britain. At his request I left with him a copy of the British memorandum which he had not yet seen.

WALLACE

893.51/2386 : Telegram

*The Ambassador in France (Wallace) to the Secretary of State*

PARIS, August 26, 1919, 11 p.m.

[Received August 27, 9.10 a.m.]

1325. Following is translation of letter addressed to the Japanese Ambassador by the Minister of Foreign Affairs on August 23rd relative to the Chinese consortium.

“Under date of July 7th last His Excellency, Mr. Matsui,<sup>50</sup> was advised that the Government of the Republic gave its adhesion to the formula suggested by the United States Government to define the support which the Japanese, French, American and British Governments agreed to give to the groups constituting the financial consortium in China.

The solution of this interlocutory question justified the hope that the consortium might become effective and begin its long delayed operations. However, the Government of the Republic has been advised that a fresh difficulty has arisen. It appears indeed that the Japanese financial delegates have made request of the allied financial groups that their rights and options possessed by Japan in Manchuria and Mongolia be excluded from the arrangements provided in the consortium agreement.

The Government of the Republic feels compelled to point out that such an exclusion assumes a political character and can neither be raised nor settled by the financial groups independently of the Governments.

It esteems, in so far as it is concerned, that this exclusion is not justified at the present moment and that it was under control [of] the policy followed by the Allied and Associated Governments in regard to China. They have indeed manifested their firm intention of opening the whole of China to the scope of the international consortium and of no longer favoring in that country the creation of special status [*spheres?*] of influence, the first effect of which would be to impede their efforts towards putting end to divisions between the Chinese parties. The Government of the Republic, therefore, hopes that the Japanese Nation will be pledged to give such instructions to the Japanese financial delegates as will cause the latter to relinquish

<sup>50</sup> Keishiro Matsui, Japanese Ambassador in France.

their request, that similarly to the British, French and American representatives they will bring [into] the consortium all their rights and options according to the stipulations provided by the agreement reached at the meetings held by the groups on the 11th and 12th of May last at Paris."

Copy sent American Embassy London as Embassy's number 261.

WALLACE

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893.51/2405

*The Japanese Embassy to the Department of State*

The Japanese Government accept and confirm the resolution adopted at the meeting of the representatives of the bankers groups of the United States, Great Britain, France and Japan at Paris on May 11 and 12, 1919, for the purpose of organizing an international consortium for financial business in China: Provided, however, that the acceptance and confirmation of the said resolution shall not be held or construed to operate to the prejudice of the special rights and interests possessed by Japan in South Manchuria and Eastern Inner Mongolia.

WASHINGTON, August 27, 1919.

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893.51/2386b : Telegram

*The Secretary of State to the Ambassador in Great Britain (Davis)*

WASHINGTON, August 27, 1919, 4 p.m.

5878. The Government of the United States is unalterably opposed to the reservation by Japan of Manchuria and Mongolia from the operation of the proposed International Consortium. From press dispatches and unofficial sources of information the Department understands Japan intends to insist upon reserving those regions as a condition precedent to her membership in the Consortium. While we desire to refrain from further communication with Japan on this subject until we hear from that government officially in the matter we desire to know at the earliest possible moment whether the British Government and the British group will agree with those of the United States and of France to proceed at once to the organi-

zation of the Consortium without Japan, reserving for future consideration as to membership the Japanese and others who have, applied.

You will immediately perceive the necessity for the most confidential treatment of this matter and for the most expeditious reply possible. After you have discussed it orally with the Foreign Office and have obtained an affirmative reply you will then exchange confidential notes confirmatory thereof. You will please urge the British Government to agree and express the very great interest this Government feels in the premises. You will please caution the British Government to be most discreet in approaching their banking group and to exercise great care that this proposal be restricted to the information of the smallest possible circle.

You may say that the American Government and the American Group are in perfect accord and stand ready to proceed to organization and to business.

A copy of this instruction is going to Am[erican] Embassy, Paris, and will be Department's cable number 9064.

A quick and favorable reply is expectantly awaited.

LANSING

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893.51/2386a : Telegram

*The Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, August 27, 1919, 4 p.m.

You will please take advantage of the first possible opportunity to obtain an authoritative and final agreement from the Government of China in the following sense, the phraseology of which you will sagaciously [*sic*] transpose in view of the cipher:

Will the Government of China agree to negotiate exclusively with an international banking group composed of bankers of the United States, England and France, but from which groups composed of the nationals of other countries will not necessarily be excluded in the future, for all loans of a character specified in the correspondence pertaining to the proposed International Consortium?

You will please discuss the matter orally and arrive at a definite answer. If you are able to obtain an affirmative answer you will



then exchange formal but confidential notes. You will then forward the original note in the first safe pouch and immediately cable the result of your efforts maintaining care to avoid mention of names or to quote from the note but simply indicating the result.

You will immediately recognize the necessity for quick and careful treatment which should not only be held within your own conscience but which should be impressed firmly on the official with whom you will confer.

You may intimate that if this effort is successful there may be some hope of alleviating the financial needs of China which are well appreciated.

LANŠING

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893.51/2392 : Telegram

*The Ambassador in Great Britain (Davis) to the Secretary of State*

LONDON, August 29, 1919, 5 p.m.

[Received 7.23 p.m.]

2922. Your 5878, August 27, 4 p.m., regarding Japanese participation in Chinese consortium discussed today orally and confidentially with Under Secretary of State for Foreign Affairs who is acting in temporary absence Lord Curzon. Matter will be immediately communicated to the latter today who will return to town on first proximo, and from whom I expect to hear, or with whom I hope to consult by Tuesday<sup>51</sup> at latest.

DAVIS

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893.51/2403 : Telegram

*The Ambassador in Great Britain (Davis) to the Secretary of State*

LONDON, September 4, 1919, 5 p.m.

[Received 5.45 p.m.]

2969. My 2922, August 29, 5 p.m., regarding Chinese loan consortium.

I am informally advised by Under Secretary of Foreign Affairs that within an hour after our discussion on August 29, Japanese Ambassador orally informed Foreign Office that his Government greatly desired to participate in consortium with reservations affecting not so much Manchuria and Mongolia as certain districts or portions thereof.

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<sup>51</sup> September 2.

The Ambassador was requested to furnish Foreign Office with a *précis* of the districts and conditions which has not yet been received and pending the receipt of which Foreign Office can give no definite reply.

DAVIS

893.51/2406 : Telegram

*The Ambassador in France (Wallace) to the Secretary of State*

PARIS, September 4, 1919, 6 p.m.

[Received September 5, 12.22 a.m.]

1354. My 1341, August 29, 8 p.m.<sup>52</sup>

I called this morning on the Minister for Foreign Affairs to learn whether any decision had been reached regarding the formation of the Chinese consortium. Mr. Pichon informed me that his Government, desirous of acting in complete accord with the British Government, had referred the matter to London and that he would inform me as soon as he received an answer from the British Cabinet [*sic*].

He further informed me that the Japanese Ambassador had handed him a few days ago a memorandum in which Japan stated her willingness to proceed to the formation of the consortium but asked that the special interests she already held in Manchuria should not be prejudiced.

Mr. Pichon expressed the opinion that this memorandum marked a modification of attitude on the part of Japan as that Government did not request the consortium to exclude Mongolia and Manchuria from the field of its activities.

Repeated to Embassy at London as 273.

WALLACE

893.51/2407 : Telegram

*The Minister in China (Reinsch) to the Secretary of State*<sup>53</sup>

PEKING, September 7, 1919, noon.

[Received September 8, 8.38 a.m.]

President Hsü sends the Legation following message:

"Unless financial assistance [forthcoming] from America or the consortium within a month the Chinese Government will be com-

<sup>52</sup> Not printed.

<sup>53</sup> Communicated to the Ambassador in Great Britain by telegram No. 5935, Sept. 8, 5 p.m., with instructions to repeat to Paris for Marshall and the American Commission.

pelled to make what arrangements it can with Japan in order to escape the consequences of the present financial stringency."

I am informed that neither officers nor men of the Army and Navy have been paid for three months. Liu, the Minister of the Navy, has been making short term loans at disastrous rates from different banks, but has been refused further accommodation and so has tendered his resignation to the President two days ago. The resignation has not been accepted, but Liu is absenting himself from Cabinet meetings.

REINSCH

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893.51/2408 : Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, September 7, 1919, 7 p.m.

[Received September 8, 4.20 a.m.]

Your cipher telegram of August 27, 4 p.m.

In committing itself as suggested the Chinese Government would arouse bitter hostility of Japanese and pro-Japanese faction. Desperate financial condition of the Government is known to you. They would fear worst consequences unless I could assure them that they may actually count on financial support either by way of a response to their *demarche* made in June by telegram of June 11, p. m.,<sup>55</sup> or by completing the Chicago bank loan.<sup>56</sup> Latter option expressly held open awaiting Chinese consent to certain conditions which the Chinese Government is now ready to meet.

Second difficulty: Attempt to obtain immediate acceptance in principle of consortium terms will find Chinese, still suffering from many disappointments, reluctant to adopt sweeping terms apart from actual loan negotiations. If it were possible to give immediate assistance in one of the above alternatives, negotiations for more

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<sup>55</sup> Not printed; see memorandum of June 20 from the Chinese Chargé, p. 453.

<sup>56</sup> See telegram of Aug. 26 from the Minister in China, p. 520.

extensive arrangements would bring the results desired as a consequence of the influence established by such action.

I shall do everything that is safe to secure action desired. If it should be necessary to define industrial loans could they be limited to communications and conservancy matters?

REINSCH

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893.51/2415 : Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, September 10, 1919, 9 a.m.

[Received September 10, 7.38 a.m.]

I have persuaded Minister of Finance that action suggested is desirable in the interest of Chinese. He has today asked the old consortium whether or not they will make an administrative loan under their reorganization loan option. He expects a negative reply. If he can be persuaded to exchange notes he desires to do it by way of making the American group the exclusive financial agent for Government loans of all kinds. In my reply I should of course state that the American group will understand that it may invite other national groups to participate.

REINSCH

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893.51/2423 : Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, September 15, 1919, 4 p.m.

[Received 5.02 p.m.]

Your August 27, 4 p.m.

Minister of Finance is very timid, evidently fearing that the adoption of the consortium in the manner suggested without definite assurances would cause the Government great difficulty. In my latest interview he stated belief that if the United States should complete the Chicago loan the other developments would follow naturally because American leadership thus manifested with complete propriety could not be successfully opposed and would [make] consortium introduction easy. But without such prepara-

tory action, sudden initiative in proposing limited consortium would encounter serious opposition. I suggested that United States could act more effectively in cooperation with other powers. He was sympathetic, but reverted to the opportunity of preparing favorable situation through Chicago loan. Time was too short for me to bring about action although the President, General Tuan, and the Minister of War were evidently impatient with the Minister of Finance and it was even hinted to me that he might be removed to assure action. I could not, of course, encourage this in view of your telegram, however strongly were I willing to support. In order to eliminate possibility of embarrassment to you, I undertook the whole *démarche* as by my personal initiative.

[Finally the] Minister of Finance assured me that as soon as he had received negative reply he would instruct Legation at Washington to approach you with a view to [discussing] the best method of financing. This was as far as I could go in the time available. As I leave now, new instructions to Tenney<sup>60</sup> would be required to pursue matter here but I believe that your policy has been materially advanced. All influential men and parties are desirous of American lead, the opposition is greatly weakened. The matter is in your hands.

REINSCH

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893.51/2427a : Telegram

*The Acting Secretary of State to the Ambassador in Great Britain  
(Davis)*<sup>61</sup>

WASHINGTON, September 16, 1919, 4 p.m.

5958. . . . the financial situation of the Chinese Government has become desperate. So imminent appears the danger that the Peking Government may in its extremity have recourse to measures which would in the future make more complicated if not in fact impossible a successful combination for the rehabilitation of Chinese finance that it is hoped the British Government may be induced to give its

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<sup>60</sup> Charles D. Tenney, Counselor of Legation.

<sup>61</sup> The same, *mutatis mutandis*, to the Ambassador in France (No. 9112).

approval to the immediate formation of a new tripartite consortium which may proceed without delay to negotiate with the Chinese, meanwhile reserving to the Japanese group the right to enter that consortium in the event that their Government should hereafter make it possible for them to do so upon terms involving no political reservations.

It is desired that you take up this matter informally and orally with the Foreign Office and endeavor to impress upon the responsible authorities an appreciation of the danger that further delay may prove fatal to the project of a satisfactory consortium. You should at the same time seek discreetly to ascertain what would be the attitude of the British Government towards the suggestion that the sole practicable alternative now in view is to hasten the establishment of a working combination of British, French and American banking interests for the purpose of carrying out as promptly and as completely as feasible the objects contemplated by the consortium.

PHILLIPS ✓

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893.51/2425 : Telegram

*The Ambassador in France (Wallace) to the Secretary of State*

PARIS, September 16, 1919, 7 p.m.

[Received September 17, 9.35 a.m.]

1394. . . .

As regards the proposal of forming immediately the consortium without the participation of Japan the Minister stated that the information he had received from the French Embassy at London was to the effect that the British Government did not look with favor on this suggestion considering that the possible consequences of such action might be very detrimental to the interests of all concerned in China in as much as it was feared lest the combination of France, England and the United States in organizing the consortium without Japan would result in throwing the latter into the arms of Germany and the desire of British Government was seriously and earnestly to use every effort to induce Japan to enter the consortium without any reservations as to spheres of influence

which latter contention was contrary to the present idea of the Allied international policy.

Mr. Pichon added that he shared this opinion with the British Government as he felt that compliance with the American suggestion would involve a very grave and dangerous step. He further said that he understood that Lord Curzon, as Acting Minister for Foreign Affairs at London, was already strongly urging the Japanese to withdraw from their present attitude of reserving special rights and interests in Eastern Inner Mongolia and Southern Manchuria.

WALLACE

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893.51/2432 : Telegram

*The Ambassador in France (Wallace) to the Secretary of State*

PARIS, September 20, 1919, noon.

[Received September 21, 11.22 a.m.]

1418. Although your telegram number 9112, September 16, 4 p.m.<sup>67</sup> crossed my number 1394, September 16, 7 p.m. it seemed to me advisable again to speak with Mr. Pichon about the necessity of his Government acceding to the suggestion of the United States for the formation of a tripartite consortium and I consequently had another talk with him this afternoon when I urged this point very strongly.

In regard to the extreme measures which you mentioned which [would be] forced upon China if some financial assistance were not given her within a very short delay, I told Mr. Pichon that I understood that the Chinese Government had informed the American Legation at Peking that unless financial assistance were received either from the Government of the United States or the consortium before the middle of October China would be forced to make a financial agreement with Japan. I pointed out that the delay of forming the consortium appeared to be playing into Japan's hands by obliging China to appeal to her for financial assistance. Mr. Pichon reiterated what he had previously said, as I have already reported to you, but added that he recognized more fully the gravity of the situation

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<sup>67</sup> See footnote 61, p. 486.

and said that in view of these new considerations he realized the necessity for speedy action, that he would therefore take up again the matter very insistently with the British Government urging that it should at once renew its efforts with the Japanese Government in a most earnest endeavor to induce that Government to enter the consortium without reservations. Repeat[ed] to London.

WALLACE

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893.51/2435 : Telegram

*The Ambassador in Great Britain (Davis) to the Secretary of State*

LONDON, *September 22, 1919, 8 p.m.*

[*Received September 22, 6.36 p.m.*]

3090. My 3053, September 16, 8 p.m. and previous telegrams regarding Chinese consortium.

I am formally advised by Foreign Office that no definition of exemptions has yet been received from Japanese Ambassador. I infer that British Government prefers that Japan be included in consortium upon a satisfactory basis rather than excluded, but that no official pronouncement can be made in this regard prior to the receipt of reply requested on August 29th. See my 2969.<sup>68</sup> American Mission and American Embassy, Paris, informed.

DAVIS

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893.51/2432 : Telegram

*The Acting Secretary of State to the Ambassador in Great Britain (Davis)*

WASHINGTON, *September 23, 1919, 7 p.m.*

5992. Department's 5958 September 16, 4 p.m.

It is suggested that you present the matter to the Foreign Office in the same manner as the Embassy at Paris presented it to Mr. Pichon as reported in Paris Embassy's September 20, 12 noon, which is understood to have been repeated to you.

PHILLIPS

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<sup>68</sup> *Ante*, p. 482.



893.51/2438 : Telegram

*The Ambassador in Great Britain (Davis) to the Secretary of State*LONDON, *September 25, 1919, 6 p.m.*[*Received 7.16 p.m.*]

3113. Matter has been repeatedly but informally presented in sense of your 5992 September 23rd, 7 p.m., and therefore renewed pressure for reply for reasons advanced in my 3090 September 22nd, 8 p.m., would appear injudicious at this moment. Foreign Office promise to advise me immediately Japanese reply is received.

DAVIS

893.51/2438 : Telegram

*The Acting Secretary of State to the Ambassador in Great Britain (Davis)*WASHINGTON, *September 26, 1919, 4 p.m.*6005. Your 3113, *September 25, 6 p.m.*

While not desiring to interfere with your discretion in this matter the Department hopes that you may find it possible to impress upon the British Government the urgency of the situation and the danger that the delay in the Japanese reply may so far protract the negotiations as to defeat their purpose.

PHILLIPS

893.51/2444 : Telegram

*The Chargé in China (Tenney) to the Secretary of State*PEKING, *September 29, 1919, 5 p.m.*[*Received 7.30 p.m.*]

Only for the Secretary.

Department's telegram September 23, 5 p.m.<sup>69</sup> After confidential conversations with leading Chinese officials I wish to endorse fully telegrams sent to Department by Minister Reinsch September 7th and 15th.<sup>70</sup> In my opinion the delay in organizing a three nation consortium is seriously lowering the prestige of America and is hastening the domination of China by Japan. If the organization of the consortium is completed and a responsible representative designated in advance, confident of securing the support of President and new Premier and probably also of Tuan Chi-jui to reasonable consortium proposals.

TENNEY

<sup>69</sup> Not printed.<sup>70</sup> *Ante*, pp. 483 and 485, respectively.

893.51/2451 : Telegram

*The Ambassador in Great Britain (Davis) to the Secretary of State*

LONDON, *October 2, 1919, noon.*

[*Received 7.58 p.m.*]

3161. Your 6005 September 26th, 4 p.m. and previous correspondence regarding Chinese consortium. Japanese Ambassador recently returned from Paris has now furnished Foreign Office with territorial definition of reservations as follows:

South Manchuria comprising a territory whose "northern boundary is a line drawn through the point [where] the railroad line from Changchun crosses the lesser Sungari River and east and west paralleling main Siberian railroad."

Eastern Inner Mongolia a territory difficult to define but "comprising the greater portion of the four (tribal) leagues nearest to Manchuria which leagues are allied and constitute a quasi-independent district of their own."

In view of the above an informal discussion at Foreign Office now reveals opinions regarding three possible alternatives: (1) exclusion of Japan from consortium; (2) continued pressure to induce Japan to withdraw all reservations; (3) modification of present reservations as outlined below.

The first appears injudicious as it would stimulate independent action by Japan, would free the hands of Japanese banks already coveting the Chinese field, would thereby create a rival to the consortium, would exclude from the guiding influence of the consortium and its pooled interests the existing Japanese concessions for railroads and other activities which arouse the embarrassing question of the disposition of the railroads in Shantung.

The Foreign Office does not appear to attach much importance to the French fear of German collusion with Japanese.

The second alternative, if the previous dilatory tactics of Japan have been correctly construed, would merely serve to prolong a delay which is advantageous only to Japan, would postpone a definite solution and will doubtless invoke most of the objections raised regarding point one.

The Foreign Office would therefore welcome an immediate expression of our opinion regarding the following interpretation and application of the third alternative: That the reservation regarding South Manchuria as above defined be accepted on account of its propinquity to Korea, its clear definition and the existence of recognized railroad and other concessions therein. (The possible advisability of anticipating an invocation by Japan of the Lansing-Ishii agreement

in this connection was intimated.) That the reservation regarding Eastern Inner Mongolia should not be accepted owing to its undefined character and to the absence of such special conditions as those pertaining to South Manchuria. That in order to relieve that present financial stringency in China the four powers including Japan immediately advance to China a loan not to exceed five million pounds. The continuance of the present discussions regarding reservations [as] to future loans under the following conditions:

1. The disbandment of the Chinese troops raised under the War Participation Bureau;
2. The disbandment of forces now used against Outer Mongolia;
3. The disbursement of such of the proceeds of such loan as are applicable to the discharge of troops to be carried out under observation of military representatives of participating governments;
4. The disposal of the balance of the loan to be under strict supervision of participating government[s] under arrangements similar to those made in connection with the reorganization loan;
5. A solution of the disputes between North and South China.

London believed that South Manchuria is the crux of Japan's desire and that notwithstanding certain unfulfilled railway concessions alleged to affect Inner Mongolia but actually penetrating the Province of Chihli, the reservation affecting Inner Mongolia will be dropped.

With the understanding that Embassy at Tokyo and Legation at Peking will be informed by the Department in the sense of the above the Foreign Office will similarly advise British Missions in those capitals and will discuss in the same sense with Counsellor of French Embassy here with whom negotiations with French Government are being carried out rather than through Paris but with whom this Embassy has at no time consulted. American Mission and American Embassy Paris informed. .

DAVIS

893.51/2466

*The Japanese Chargé (Debuchi) to the Secretary of State*

WASHINGTON, October 8, 1919.

SIR: With reference to the note of July 3<sup>71</sup> which the Acting Secretary of State was good enough to address to me on the subject of diplomatic support to be given to the new consortium for financial business in China, I have the honor to communicate to you that the Japanese Ambassador at Paris under instructions has

<sup>71</sup> Ante, p. 463.

recently informed the French Government to the effect that the Japanese Government will accept as an interpretation of the bankers' agreement of May 12 the formula submitted by the French Government in the sense of the modified form as suggested by the American Government.

Accept [etc.]

K. DEBUCHI

893.51/2451 : Telegram

*The Secretary of State to the Ambassador in Great Britain (Davis)*<sup>72</sup>

WASHINGTON, October 11, 1919, 1 p.m.

6073. Your 3161, October 2, noon.

In view of your reference to the intimation by the British Foreign Office that Japan might invoke the Lansing-Ishii exchange of notes in support of the claim to the exclusion of Manchuria and Mongolia from the operation of the consortium, I have to advise you that this Government does not consider that in that agreement it obligated itself to the recognition of any such position on the part of Japan as would warrant that claim. Any claim that the recognition of special interests was intended to imply a monopoly or a priority of economic or industrial rights is negatived by the concluding paragraphs of the agreement which explicitly and without limitation preserve the principle of equality of commercial and industrial opportunity. That this reassertion of the Open Door was understood to import no restriction in the particular case of Manchuria is made plain by the fact that that agreement assumed the existence of earlier treaty arrangements on the subject, one of the most concrete of which is the Portsmouth Treaty of Peace between Japan and Russia by which the contracting parties declared that they had not in Manchuria "any territorial advantages or preferential or exclusive concessions in impairment of Chinese sovereignty or inconsistent with the principle of equal opportunity," and engaged "not to obstruct any general measures common to all countries, which China may take for the development of the commerce and industry of Manchuria." In connection with the formation of the old consortium for the Currency Loan in 1912 the Japanese and Russian Groups having made reservations regarding non-application of restrictions upon their independent action in northern China, Manchuria and Mongolia maintained the right to withdraw from participation in any such business which their respective Governments might consider "contrary to the interests of Russia or Japan."<sup>73</sup> Even the position sought to be established at that time by

<sup>72</sup> See last paragraph for instruction to repeat to Paris.

<sup>73</sup> *Foreign Relations*, 1912, p. 140.

the Japanese and Russian groups did not contemplate any such exclusive right as is now claimed but confined itself to a right of protest against undertakings deemed positively harmful to the national interests of the two countries. In May, 1915, furthermore, during the negotiations between Japan and China which led to the so-called agreements of May 25th involving certain special political and economic advantages in favor of Japan in Manchuria and Mongolia, this Government found it necessary to advise both interested Governments that "it cannot recognize any agreement or undertaking which has been entered into or which may be entered into between the Governments of China and Japan impairing the treaty rights of the United States and its citizens in China, the political or territorial integrity of the Republic of China, or the international policy relative to China commonly known as the Open Door Policy."<sup>74</sup> The reservation thus made in behalf of this Government has never been withdrawn and must be regarded as a part of the *res gestae* to be considered in construing the position of the United States in reference to the question now at issue.

This Government therefore reluctantly finds itself unable to concur in the suggestion of the British Foreign Office that a solution of the difficulty might be found in accepting the Japanese reservation regarding South Manchuria as now defined by the Japanese Ambassador.

This Government can only regard the reservation in the form proposed as an attempt to inject exclusive political pretensions into a project which all the other interested Governments and groups have treated in a liberal and self-denying spirit and with the purpose of eliminating so far as possible such disturbing and complicating political motives; and it considers that from the viewpoint, either of the legitimate national feeling of China or of the interests of the Powers in China, it would be a calamity if the adoption of the consortium were to carry with it the recognition of a doctrine of spheres of interest more advanced and far-reaching than was ever applied to Chinese territory even in the period when the break-up of the Empire appeared imminent.

It can only be assumed that in taking its present position the Japanese Government has misapprehended the purposes of the consortium and assumed that it is the intention of the other Governments to encroach upon the existing vested Japanese interests in the region indicated. That such is not the intention may be seen from the wording of the inter-group agreement of May 11th [12th]<sup>75</sup> which in article 1 [2] specifies that only those industrial undertakings are to be pooled upon which substantial progress has not been

<sup>74</sup> *Foreign Relations*, 1915, p. 146.

<sup>75</sup> *Ante*, p. 439.

made. This wording plainly excludes those enterprises which are already developed and thus constitute vested proprietary interests (such as the South Manchuria and Ssuningkai-Chengchiatun Railways, the Fushun colliery, et cetera) and may fairly be interpreted to exclude likewise the existing options for the extension of railways already in operation (for instance the proposed continuation to Taonan of the Ssuningkai-Chengchiatun Railway and to Hueining (Hoiryong) of the Kirin-Changchun Railway). If Japan's reservation is urged with a view solely to the protection of existing rights and interests, it would seem that all legitimate interests would be conserved if only it were made indisputably clear that there is no intention on the part of the consortium to encroach on established industrial enterprises or to compel the pooling of existing Japanese options for the continuation thereof: and this Government feels that the Japanese Government should be amply content with the understanding that certain specific enterprises are exempt. It will not accept a geographical reservation which could not but lend itself to implications which are foreign to the purposes of the consortium. In view of the fundamental identity of purposes and methods which has characterized the coöperation of the United States and Great Britain in both China and Siberia, this Government looks confidently to Great Britain to exert a reassuring influence upon its ally and to convince the Japanese Government that it may find it possible to authorize its banking group to enter the proposed consortium with full assurance that no legitimate Japanese rights or interests would thereby be jeopardized.

Upon such a basis this Government would be happy to coöperate in arranging for an immediate advance to China for the purposes and upon substantially the conditions suggested in your telegram.

Should such an adjustment of the difficulty appear impracticable in the near future this Government would, through great reluctance, find itself compelled to forego the hope of Japanese coöperation and to proceed with entire freedom of action although of course with the most earnest hope that the British and French Governments would find it possible to coöperate with it in the carrying out of the plans which they and their respective banking groups have already approved in principle and loyally endeavored to further.

This Government feels that it has adequate grounds for the belief that especially if supported by Great Britain and France such plans for the relief of the critical situation now existing in China might be hopefully undertaken; and that, so far from stimulating independent and rival action by Japan as apprehended by the British Government, such action would tend strongly to impress upon the Japanese Government that it is neither practical nor politic from the viewpoint

of Japanese interests to compel its group to hold aloof from coöperation with the interests of the other powers concerned. The attitude hitherto taken by the Japanese bankers seems clearly to indicate their appreciation of the impracticability of separate action; and it is to be seriously doubted whether the Japanese Government would find it feasible to persist in its present pretensions or to maintain a policy of financial rivalry if confronted with the alternative of coöperation or competition with those whose desire is to relieve the Chinese situation without taking advantage of it to seek special benefits.

It is desired that you read this telegram to the Minister for Foreign Affairs and urge upon him the particular importance which this Government attaches to this question and its earnest hope that the influence of the British Government will be exerted to the utmost towards the attainment of an entirely harmonious coöperation among the four most interested powers in a policy which shall be wholly helpful and wholly free from any implication of self-seeking at the expense of China or of the general interests of the powers in relation to China.

In the meanwhile, as a matter of immediate concern, this Government confidently relies upon Great Britain to cause to be definitely declined the proposal for an immediate advance by the old consortium inasmuch as it would under present circumstances create a situation in which it would be difficult for Great Britain and France to withhold acquiescence in Japan's new pretensions in South Manchuria. We consider this of the utmost importance.

In this general connection the following telegram from the Legation at Peking is repeated for your information:

"October 3, 5 p.m. The Japanese Minister called today to express his apprehension that there would be general disorder throughout North China unless financial assistance is soon given to the Peking Government. He alluded to the suggestion made to the old consortium by the Japanese Government, that the old consortium arrange for a loan. He said that no reply had been received from London to the request of the consortium bankers for instructions. As the Japanese would be the principal sufferers if disorders break out, it would be necessary for Japan to act independently in financing the Peking Government if it can not be done through the consortium. He expressed the hope that American financiers would coöperate in a loan, part of which might be allotted to the Southern Government."

This matter is being taken up here with the British Ambassador in the same sense in connection with discussions with him regarding the situation in Siberia.

Repeat to Paris for the information and guidance of the Embassy and Marshall.

LANSING

893.51/2495a : Telegram

*The Acting Secretary of State to the Ambassador in Great Britain  
(Davis)*

WASHINGTON, *October 24, 1919, 6 p.m.*

6121. The following is Mr. Lansing's memorandum of a conversation which he had with the British Ambassador on October 22:

"I called the attention of the Ambassador to a [telegraphic] dispatch from London, 3256, October 16, 6 p.m.,<sup>75</sup> in which I was made to say by Lord Grey in a telegram to his Government 'that the Government of the United States was prepared to accede to the reservations concerning Southern Manchuria and inner Mongolia but not as regards Eastern Siberia,' in connection with the Chinese Consortium.

I told the Ambassador that he had gained the wrong impression from my conversation; that my position was that so far as Southern Manchuria and inner Mongolia was concerned this Government felt that no other nation should seek special privileges or concessions in those regions but that the open door should be preserved and because of her proximity Japan would be in a position of advantage.

Lord Grey replied that he was afraid that he had conveyed the wrong impression to his Government through too brief a telegram and that he would immediately correct the inference which they had drawn as to the Chinese Consortium."<sup>76</sup>

Advise Ambassador Wallace if in London and repeat to Embassy Paris for information and for Marshall.

PHILLIPS

893.51/2405

*The Department of State to the Japanese Embassy*

MEMORANDUM

The Government of the United States has received and carefully considered the memorandum dated August 27, 1919,<sup>77</sup> in which the Imperial Japanese Embassy advised it that the Japanese Government accepted and confirmed the resolution adopted at the meeting of the representatives of the bankers groups of the United States, Great Britain, France and Japan at Paris on May 11 and 12, 1919, for the purpose of organizing an international consortium for financial business in China, subject, however, to the following proviso:

"that the acceptance and confirmation of the said resolution shall not be held or construed to operate to the prejudice of the special

<sup>75</sup> Not printed.

<sup>76</sup> See telegram from the Ambassador in Great Britain, No. 3318, Oct. 29, p. 529.

<sup>77</sup> *Ante*, p. 480.



rights and interests possessed by Japan in South Manchuria and Eastern Inner Mongolia.”

This Government, after an earnest study of the proposal thus made, reluctantly finds itself unable to assent to the proviso in reference to South Manchuria and Eastern Inner Mongolia: it can only regard the reservation in the form proposed as an intermixture of exclusive political pretensions in a project which all the other interested Governments and groups have treated in a liberal and self-denying spirit and with the purpose of eliminating so far as possible such disturbing and complicating political motives; and it considers that from the viewpoint, either of the legitimate national feeling of China or of the interests of the Powers in China it would be a calamity if the adoption of the consortium were to carry with it the recognition of a doctrine of spheres of interest more advanced and far-reaching than was ever applied to Chinese territory even in the period when the break-up of the Empire appeared imminent.

It can only be assumed that in taking its present position the Japanese Government has misapprehended the purposes of the consortium and assumed that it is the intention of the other Governments to encroach upon the existing vested Japanese interests in the region indicated. That such is not the intention may be seen from the wording of the inter-group agreement of May 11th [12th] which in Article I [II] specifies that only those industrial undertakings are to be pooled upon which substantial progress has not been made. This wording plainly excludes those enterprises which are already developed and thus constitute vested proprietary interests (such as the South Manchuria and Ssupingkai-Chengchiatun Railways, the Fushun collieries, et cetera) and may fairly be interpreted to exclude likewise the existing options for the extension of railways already in operation (for instance the proposed continuation to Taonan of the Ssupingkai-Chengchiatun Railway and to Hueining (Hoir-yong) of the Kirin-Changchun Railway.) If Japan's reservation is urged with a view solely to the protection of existing rights and interests, it would seem that all legitimate interests would be conserved if only it were made indisputably clear that there is no intention on the part of the consortium to encroach on established industrial enterprises or to expect the pooling of existing Japanese options for the continuation thereof: and this Government feels that the Japanese Government should be amply content with the understanding that certain specific enterprises are exempt. This Government can not accept a geographical reservation which could not but lend itself to implications which are foreign to the purposes of the consortium. But it is still hopeful that the Japanese Govern-

ment may find it possible to authorize its banking group to enter the proposed consortium with full assurance that no legitimate Japanese rights or interests would thereby be jeopardized.

WASHINGTON, *October 28, 1919.*

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893.51/2534

*The British Embassy to the Department of State*

The British Government agree that the Consortium should be proceeded with and every effort should be made to induce Japan to enter into it without any reservations, and they are prepared to co-operate in this. They would, however, suggest that, should their efforts to get Japan to give up all reservations fail, the other Powers might in the last resort concede a reservation to Japan of Southern Manchuria but not of Eastern Inner Mongolia.

Meanwhile the British Government have urged on the Japanese Government that they should not make independent loans to China, and they point out that if the United States makes an independent loan it may be followed by independent loans from Japan. The British Government would therefore urge that their proposal for a small loan of, say, five million pounds, should be made by the four Powers immediately, without prejudice to the discussions now proceeding for the formation of the Consortium.

WASHINGTON, *October 29, 1919.*

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893.51/2524

*Memorandum of the Third Assistant Secretary of State (Long)*

[WASHINGTON,] *October 30, 1919.*

Mr. Debuchi asked me this morning if he understood correctly the question of the two railroads mentioned in our recent note on the subject of Japanese reservations to the Consortium. He asked me whether they were considered as parts on which substantial progress had been made. I told him that railroads which were built were not in the Consortium; that extensions to those railroads on which substantial progress had been made were, under the terms of the Consortium, not included; and that railroads in continuation of those built, or upon which substantial progress had been made and which had been already contracted for and projected were to be considered as without the scope of the Consortium under the theory that they were parts of a whole, and that substantial progress had been made upon the whole.

BRECKINRIDGE LONG

893.51/2510

*The Secretary of State to the British Appointed Ambassador (Grey)*

WASHINGTON, November 5, 1919.

EXCELLENCY: I have the honor to acknowledge the receipt of your Embassy's Note No. 744 of October 18, 1919, regarding Italian participation in the new international consortium for financial business in China.<sup>79</sup>

A copy of your note was transmitted to the American Group for information and comment. The Department has now received their reply, in which it concurs, to the effect that they are in absolute accord with the suggestion advanced by the British Group and feel that the question of the inclusion of an Italian Group is one which, of necessity, must wait until after the consortium has been formed.

Accept [etc.]

ROBERT LANSING

893.51/2531a : Telegram

*The Secretary of State to the Ambassador in Japan (Morris)*

WASHINGTON, November 5, 1919, 5 p.m.

Japanese press reports seem to indicate a financial situation in Japan which might militate against the successful flotation by the Japanese group of such amounts of Chinese securities as would represent half of the proposed loans to China contemplated by the new consortium. The Department desires that you carefully investigate the situation and report by telegraph your opinion as to the probable success of the Japanese group in the event of its being required to assume the responsibility of underwriting half of British and French advances to China in addition to its own share.

The Department also desires your opinion as to whether or not an anticipation of difficulty in floating its share of the loan constitutes a motive for Japan's opposition to the consortium plans as agreed upon by the other interested Powers, the idea possibly being to prevent the formation of the consortium by advancing unacceptable objections and reservations in the hope of avoiding a disclosure of the present financial condition.

LANSING

893.51/2534

*The Department of State to the British Embassy*

## MEMORANDUM

The Department of State has received the memorandum of the British Embassy under date of October 29th, and has been happy

<sup>79</sup> Not printed.

to note that the British Government agrees that the Consortium should be proceeded with and every effort should be made to induce Japan to enter into it without any reservations, and is prepared to cooperate in this. For the reasons stated in the telegram of October 11th to the American Embassy at London, of which a copy has been handed to the British Embassy, this Government is unable to concur in the suggestion of the British Foreign Office that the other interested powers should, even in the last resort, concede the reservation claimed by Japan in respect to South Manchuria.

The Department further notes that the British Government renews its proposal that a small loan of, say, £5,000,000, should be made by the four Powers immediately. The memorandum of the British Embassy furthermore makes clear what the Department had not previously understood, that the proposal contemplates that this advance should be made without prejudice to the discussions now proceeding for the formation of the Consortium. On this understanding, and in deference to the conviction of the British Government that there may thus be found a means of enabling the Chinese Government to meet its present financial crisis, without risking the inauguration of a new period of independent and uncontrolled loans, this Government is willing to make a further effort towards cooperation in the manner indicated by the British proposal. To this end the Department has requested the Chicago Continental and Commercial Trust Bank to withhold at least temporarily its confirmation of the contract of October 20th for a loan of \$30,000,000, and to proceed only to the issue of the smaller loan (for \$5,500,000) for the redemption of bonds shortly maturing under its loan contract of 1916, as previously notified to the British Government.<sup>80</sup>

WASHINGTON, *November 11, 1919.*

893.51/2384

*The Secretary of State to the Italian Chargé (Alliata di Montereale)*

WASHINGTON, *November 14, 1919.*

SIR: With further reference to your Embassy's note of August 8, 1919,<sup>81</sup> regarding the desire of the Italian Government that Italian bankers should participate in the new international consortium for financial business in China, I have to state that it is the opinion of the American Group, in which opinion this Department concurs, that the question of the inclusion of an Italian Group is one which, of necessity, must wait until after the consortium has been formed.

Accept [etc.]

ROBERT LANSING

<sup>80</sup> See p. 532.

<sup>81</sup> *Ante*, p. 474.

893.51/2545 : Telegram

*The Ambassador in Japan (Morris) to the Secretary of State*

Tokyo, November 15, 1919, 7 p.m.

[Received November 16, 10.30 a.m.]

Your November 5, 5 p.m. and your November 11, 5 p.m.<sup>82</sup> I am convinced, after a careful investigation and on confidential information which I believe to be reliable, that the Japanese bankers are not only in a position to underwrite their proportion of the loan to China, including the shares of Great Britain and France, but that they are keenly eager to see the proposed plan of the consortium carried out and are still exerting their influence to that end.

In my opinion the bankers will encounter no difficulty in floating Japan's share of the loan and have had no part in suggesting the reservations. The Ministry adopted the reservations under the pressure of the military who, since the Russian war and with the support of a sentimental public opinion, claim a peculiar interest in Manchuria.

I believe that the Japanese Government might possibly be persuaded to abandon the reservation as to Mongolia and would be prepared to consider seriously a definition of the reservation as to Manchuria which would make clear that it was not a territorial reservation or an effort to create an economic sphere of influence but simply a statement of the limits within which lie capitalized interests, existing or capable of being designated, and deemed vital to the safety of Japan.

The framing of such a definition would require considerable negotiation and patience but I am optimistic enough to believe that it is possible. If agreed on it would not only solve the chief difficulty of the consortium but would illustrate in a practical way what we mean by special interests due to geographical propinquity.

MORRIS

893.51/2557 : Telegram

*The Ambassador in Great Britain (Davis) to the Secretary of State*

LONDON, November 25, 1919, 6 p.m.

[Received November 26, 12.45 a.m.]

3447. My 2799, August 14, 7 p.m.;<sup>83</sup> your 6147, November 1, 8 p.m.;<sup>84</sup> and my 3428, November 22, 1 p.m.<sup>84</sup> Following is text of

<sup>82</sup> Latter telegram printed on p. 535.<sup>83</sup> *Ante*, p. 476.<sup>84</sup> Not printed.

memorandum dated November 12th [19th] by Foreign Office, [handed] to Japanese Ambassador November 19th [20th]:

“On September 1st His Excellency the Japanese Ambassador communicated to Earl Curzon of Kedleston<sup>85</sup> the following memorandum:

The Japanese Government accept and confirm the resolutions adopted at the meeting of the representatives of the bankers groups of the United States, Great Britain, France, and Japan at Paris on the 11th and 12th May 1919, for the purpose of organizing an international consortium for financial business in China provided, however, that the acceptance and confirmation of the said resolutions shall not be held or construed to operate to the prejudice of the special rights and interests possessed by Japan in South Manchuria and Eastern Inner Mongolia.

At a subsequent interview with Lord Curzon, Viscount Chinda, in accordance with instructions received from his Government, defined what was meant by South Manchuria and Eastern Inner Mongolia.

His Majesty's Government have now, after the most careful consideration of the Japanese contention, been forced to the conclusion that they could not justifiably accept the claims for the exclusion of Southern Manchuria and Eastern Inner Mongolia from the sphere of activity of the consortium if it were intended as a territorial claim.

As was pointed out to the Japanese Ambassador in the memorandum communicated to His Excellency on August 11, the admission of such a claim to the monopoly of commercial intercourse [*interests*] in a large geographical area of China would be a direct infringement of the fundamental idea underlying the creation of the consortium, which was to abolish spheres of interest and throw open the whole of China to the activities of an international financial combination.

Lord Curzon, however, cannot help thinking that the Japanese Government must be laboring under a misapprehension as to the scope and purpose of the consortium. It is not and never has been intended that under the guise of the consortium vested interests should be encroached upon. Article 1 [2] of the intergroup agreement of May 11 [12] last specifically lays down that agreements and options relating to industrial undertakings (including railways) upon which substantial progress has been made, need not be pooled. Indeed, the sphere of the new consortium is definitely limited to the financing of future undertakings in China and was never meant to extend to established industrial enterprises.

So far as Southern Manchuria is concerned, Lord Curzon recognizes that there are in that province important railways and other [industrial] enterprises which have been developed or are in course of development by Japanese enterprise, and which are clearly not within the sphere of the consortium.

Such is not, however, the case in Eastern Inner Mongolia where although options for railways have been granted to Japan, no work has yet been begun. Indeed, such a claim as is put forward by the Japanese Government in regard to Eastern Inner Mongolia,

<sup>85</sup> British Secretary of State for Foreign Affairs from Oct. 29, 1919.

amounting to the reservation of an exclusive interest in a large area whose southern boundaries practically embrace Peking and encroach upon the Province of Chihli, cannot be reconciled with the maintenance of the independence and territorial integrity of China, which Japan has so often pledged herself to observe.

It is confidently hoped, therefore, that when the question is viewed in this light the Japanese Government will see no objection to modify their present attitude as regards both South Manchuria and Inner Mongolia, and will authorize the Japanese banking group to enter into the new consortium on the same basis as the other groups, that is, without any special reservations.

The Japanese Government will also, no doubt, recognize the urgent need of promptness in dealing with the situation in view of the disastrous situation, on the verge of which China appears now to find herself."

Repeated to American Embassy, Paris, as 758, November 25, 6 p.m.

DAVIS

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893.51/2545 : Telegram

*The Secretary of State to the Ambassador in Japan (Morris)*

WASHINGTON, December 2, 1919, 4 p.m.

Last two paragraphs of your November 15, 7 p.m. leave the Department in doubt whether you have received in comprehensible form its October 29th, 6 p.m.<sup>86</sup> which distinguishes between interests as defined by territorial limitations and those which are vested.

To obviate any possibility of misunderstanding on this point it is hoped that you will take every opportune occasion to emphasize to the Japanese officials that distinction which this Government regards as essential and on the basis of which the British Government on the 12th instant [*19th ultimo*] addressed to the Japanese Embassy in London a memorandum of which the substance is as follows: After referring to the Japanese Government's memorandum accepting and confirming the bankers' resolutions concerning the international consortium the British Government states

[Here follows the remainder of the memorandum as quoted in the telegram of November 25 from the Ambassador in Great Britain, printed *supra*, beginning "At a subsequent interview . . ."]

Repeat to Peking for information.

LANSING

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<sup>86</sup> Not printed; it transmitted the memorandum sent to the Japanese Embassy, Oct. 28, p. 497.

LOAN NEGOTIATIONS <sup>87</sup>

Disapproval by the American Government of Particular Loans Pending the Formation of the New Consortium—Conclusion and Cancellation of a Loan Contract by the Continental & Commercial Trust & Savings Bank—The Pacific Development Corp. Loan Contract—Agreement for a Four-Power Loan of Five Million Pounds

893.51/2100 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, January 23, 1919, 3 p.m.

[Received January 23, 10.10 a.m.]

Your January 4, 11 [2] p.m.<sup>88</sup> Minister Finance has given assurance that if the Chinese Government should contract a loan secured on the tobacco and wine revenue from the financiers of any single foreign nation, the first option will be given to the Continental Commercial Bank. The Minister of Finance stated that if a consortium loan were made, the Government desires to use this security in that connection, but should this revenue be further pledged to any one nation, the option would be given as above stated.

REINSCH

893.51/2206

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2660

PEKING, April 4, 1919.

[Received May 5.]

SIR: In connection with my despatch No. 2626 of March 21st<sup>89</sup> relating to a protest against the 8th Year Internal Loan, I have the honor to forward copies of the identic note directed to the Foreign Office by the Ministers representing Consortium Powers.

I have [etc.]

PAUL S. REINSCH

[Enclosure]

*Identic Note from the British, French, Japanese, and Russian Ministers to the Chinese Acting Minister of Foreign Affairs*

PEKING, March 25, 1919.

SIR: The Government *Gazette* of February 23rd. contained a Presidential Mandate promulgating regulations for the issue of 8th Year Internal Loan Bonds, and Article 5 of these Regulations pro-

<sup>87</sup> Papers relating to the War Participation Loan made by Japanese banks in 1918 are included in the section dealing with political affairs, pp. 289 ff.; those relating to railway loans are included in the section dealing with railways, pp. 566 ff.

<sup>88</sup> *Ante*, p. 421.

<sup>89</sup> Not printed.



vides that Salt Surplus Funds shall constitute the security for the repayment of principle and payment of interest on the loan.

I have since been approached by . . . Bank, one of the signatories to the Reorganization Loan Agreement of 1913,<sup>92</sup> which desires me to protest against the designation of these funds as security for this loan, on the ground that such a step infringes the terms of that Agreement and is prejudicial to their interests. The Bank's complaint appears to me a justifiable one, and for the following reasons.

Article 17 of the Reorganization Loan Agreement provides that:

“In the event of the Chinese Government desiring to issue further loans secured upon the revenues of the Salt Administration or to issue supplementary loans for purposes of the nature of those specified in Article 2 of this Agreement, the Chinese Government will give to the Banks the option of undertaking such loans”, etc.

In the present case the surplus revenues of the Salt Administration have been designated as security for the loan with the result that the stipulations of the Article above quoted are thereby infringed and the value of the Salt revenue as a future security impaired.

Furthermore, the *Government Gazette* of March 8th published a letter from the Ministry of Finance to the Inspector-General of Customs in which the undertaking was given that the proceeds of any future loan secured upon the Salt Revenue shall be charged with a half year's installment of the service of the present internal loan. I am compelled to take exception to any such provision, which introduces a new condition into the terms of Article 17 above quoted.

In view of the above it becomes my duty to protest against the steps recently taken by Your Excellency's Government in connection with the 8th Year Internal Loan, and to request their immediate cancellation, in order to conform to the terms of the Reorganization Loan Agreement of 1913.

Trusting to receive an early reply, I avail myself [etc.]

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893.51/2171a : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, April 9, 1919, 6 p.m.

In connection with the currency loan option which expires April 14th<sup>93</sup> the question arises whether it might not be for the best interest of the new consortium to have it lapse. Its expiration would leave China free to make a new contract with the new four Power

<sup>92</sup> See *Foreign Relations*, 1913, p. 180.

<sup>93</sup> See *ibid.*, 1918, p. 161.

Group without complications with those powers of the old group not now participating, as for instance Russia, and would leave the new group free to consider on their merits the applications of other nations for membership when such nations are in a position to participate actively and without reference to prior optional rights, et cetera. Please discuss immediately with Abbott<sup>94</sup> but not with any of your colleagues. You may then informally and confidentially discuss with the appropriate official the advantages that would accrue to China if the option were allowed to expire and later a new option given to the new consortium. If you are approached to join your colleagues in request for renewal you will please carefully evade any commitment and express the hope that the new consortium will be formed in time to take up the business.

POLK

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893.51/2173 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, undated.

[Received April 10, 1919, 7.40 p.m.]

Your April 9, 6 p.m. This matter has received serious consideration. I have [learned] through Abbott that the British, French think it far better to renew the option, as they fear that otherwise the Japanese might use the interval until the new consortium formed to commit (Republic ?), at present dependent upon them absolutely, to a currency arrangement favorable to Japan, particularly the appointment of Sakatani.<sup>95</sup> As the intergroup agreement expires June 19th next, Russia could then [be] automatically eliminated and the option taken over immediately by the new consortium. Abbott agrees with this and believes less trouble and risk to settle the matter in June than now. Group representatives acting under instructions have asked for renewal. In view of the above I beg to suggest reconsideration.

REINSCH

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893.51/2173 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, April 11, 1919, 5 p.m.

Your undated telegram received April 10.

Department will leave to the discretion of yourself and Abbott matter of extension of currency loan option.

POLK

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<sup>94</sup> John Jay Abbott, representative of American banking group.

<sup>95</sup> Baron Yoshiro Sakatani; see pp. 556 ff.

893.51/2178 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, April 11, 1919, 6 p.m.

[Received April 12, 10.22 a.m.]

My telegram of April 10th, 8 p.m.<sup>96</sup> I am informed that an answer from the Minister of Finance extending the currency loan option for six months was sent to the chairman of the group banks yesterday.

REINSCH

893.51/2192 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, April 26, 1919, 5 p.m.

[Received April 27, 1.40 p.m.]

In connection with the financial situation I beg to submit the following:

1. It is important that the Department and the bankers should realize the difficulties confronting China in developing at this time a sound fiscal policy. Every one is agreed that the essential matter is reduction of the Army yet the military having in mind precedent of the first reorganization loan are preparing excessive estimates of necessary disbandment expenses. Any civilian leader coming forward with a sound policy would have their united opposition. For instance chief northern delegate recently made an estimate that disbandment would require 150 million dollars, public works for employment of disbanded troops 50 million. Sound opinion would reverse this estimate devoting the bulk of loan to protecting public works; disbandment expenses only for actually [armed] soldiers delivering their arms, making no allowance for innumerable hangers on, but providing ample funds for constructive work. Such a policy though desired by all the people can make headway only if understood to be the sole basis on which loan can be considered. In other words to be able to face united opposition of the military the civilian leaders need to be fortified by prestige of foreign powers. When it is clearly understood that this is the only possible basis of action the military will yield, the best commanders will be glad to have more compact, better paid forces, the inefficient corrupt commanders will cease to be a serious factor as soon as such a policy is announced. The above difficulty makes the Shanghai Peace Conference<sup>97</sup> hesitate to announce a policy which it feels unable to carry through with its own authority. The Peking Government is weakened through the presence in it of a clique representing a foreign interest and the

<sup>96</sup> Undoubtedly refers to undated telegram received April 10, 7.40 p.m., p. 507.

<sup>97</sup> See pp. 296 ff.

powerlessness of other elements to get financial support [for] even ordinary needs; they are therefore not in a position to propose a radical reform policy. In this sense it is futile to expect from China the establishment of a sound reorganization policy which can only be accomplished with the guidance of the friendly powers. This does not mean intervention but simply straightforward statement of the basis on which financial support can be given.

2. Weak, unrepresentative and lacking in real authority, as it is, the Peking Government nevertheless is held responsible for order in China and its members are exercising themselves to that end though hampered in every possible way. The Minister of Finance desirous of avoiding foreign commitments at present is borrowing money from Chinese commercial sources where currency interest rates are 12 to 18 per cent. Affairs have been so confused that it is impossible to overcome this situation until reorganization policy is adopted with the assistance of the friendly powers. But it is questionable whether it is wise to leave the Peking Government to struggle along with increasing difficulty to meet necessities which cannot be evaded and which impose desperate financial expedients. All this renders the task of reorganization more and more difficult. The situation requires that the powers should prevent the utter demoralization of the Government with the consent of the Shanghai Peace Conference through allowing the Chinese Government by way of preliminary loans advanced by the United States and Japan the means absolutely imperative to carry the burden until the reorganization policy is put in force. Such action would also absolutely preclude any reversion to chaotic civil war which if it should happen would entail great danger to all and widespread suffering. Formulation of a common sense policy of reorganization which the Chinese Nation will be only too glad to accept and the allowing of the absolutely necessary minimum support until the reorganization can go into effect are essential.

It is inevitable that Mr. Abbott should speak with Chinese officials and bankers about actual conditions existing and to indicate when solutions proposed [are] unsound, impracticable. It is important that such matters should be cleared up before the actual negotiations begin. Abbott has the confidence of the Chinese, they desire his personal opinion about proposed solutions. While these matters are still plastic and while on account of the confidence referred to, overtures for guidance are constantly made, there is an opportunity for avoiding misunderstanding and [of?] future proposals which it is my earnest belief should be availed of for the permanent good of China. In other words while Abbott will not discuss what the consortium proposes to do he can not avoid discussing conditions on which any solid financial support is dependent.

Please forward substance of following to Morgan :

"Prime Minister vouching at dinner last night that Shanghai Peace Conference would finish at an early date, before which Government desired to obtain expression of opinion as to the substance and form of what may come therefrom; following which Government would wish to discuss [second] reorganization loan. As latter would probably be inadvisable [until?] after formation consortium, suggest that I leave for Hankow and Canton with purpose of investigations there among business men so as not to be available to Peking for conference on loan matter until such time as you deem best. [Have] always felt that [contact] with central and southern sections would be necessary in order to approximately understand this country. A Canton representative is here urging that South have equal opportunity with the North to present their views. Suggestions regarding consortium in the pouch on *Ecuador*. Abbott."

REINSCH

893.51/2255

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2692

PEKING, April 29, 1919.

[Received June 9.]

SIR: I have the honor to report that late in March, the Minister of Education requested the International Banking Corporation for an accom[m]odation loan of \$300,000 for the purpose of assisting the Ministry in paying the salaries of the Government schools and the University in this Province. It is quite customary for banking institutions to make such accom[m]odations to the Government in the course of ordinary business. The matter was in due course brought to the attention of the Legation by the Manager of the Bank. On March 28th, I asked the Consul-General at Shanghai informally to mention the proposal to the chief delegates of the Peace Conference whom I desire to be kept informed as completely as possible concerning affairs of the Government. Mr. Sammons reported on April 2nd that Tang Shao-yi was not opposed as a matter of principle, but could not give public support to the proposition because of fear of establishing a precedent. Chu Chi-chien approved.

The negotiations between the Minister of Education and the Bank continued and the Bank finally agreed on April 24th to lend the Ministry \$300,000 for one year, receiving, as security, a treasury note due April 24th, 1920 and the promise that the Customs' surplus would be used for repaying the fund. The Bank informed the Legation of the conclusion of the agreement and received the assurance that its rights would be protected.

I have [etc.]

PAUL S. REINSCH

893.51/2192 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, April 30, 1919, 6 p.m.

Your April 26, 5 p.m.

The Chinese Government has already been assured of financial assistance needed for constructive purposes so soon as a reunited Government has been formed. The Department fears that only the pressure of necessity will bring the various factions in China together and that any special encouragement given to either side merely tends to delay the final settlement which must be reached before financial assistance can be available.

The Department and the American bankers feel greatly encouraged over the recent progress made towards the completion of the consortium. Everything is being done here to hasten matters. Mr. Lamont is in Paris representing the American Group and records have gone forward to be immediately available for the meeting. It is the hope and belief of the Department that the new consortium will be ready to consider the legitimate needs of a reunited Chinese Government as soon as they are made known.

Would it not be advisable, therefore, for the Peking representatives of the respective financial groups to confer freely but informally and, on the assumption that a meeting of the groups will shortly convene in Europe, prepare definite recommendations covering the following points:

First; the amount, terms, security, purposes and allocation of a new reorganization loan to the Chinese Government when a reunion has been effected. The statement prepared by Hillier<sup>98</sup> might serve as a basis of discussion;

Second; the amount, terms and purposes of preliminary advances that may be required after reunion has been accomplished and pending the negotiation of the reorganization loan.

If such conferences have already been held please cable briefly the results.

PHILLIPS

893.51/2255

*The Acting Secretary of State to the Minister in China (Reinsch)*

No. 996

WASHINGTON, June 18, 1919.

SIR: The Department has received your Despatch No. 2692 of April 29, 1919, reporting the lending of \$300,000 by the International Banking Corporation to the Chinese Minister of Education for the purpose of assisting the Ministry in paying the salaries of the Gov-

<sup>98</sup> E. G. Hillier, representative of British banking group.

ernment schools and the University of Chihli Province. It is not clear from the statement contained in your despatch under acknowledgment as to what steps were taken toward compliance with the Government's announced policy respecting loans to China as defined in Department's telegraphic instruction to you of November 16, 1918, 6 p.m.<sup>99</sup>

With particular reference to guarantees as to the use to which the funds derived from such loans are to be put, the Department desires to emphasize the need for extreme care in questions of this sort, in order to prevent unnecessary adverse criticism.

I am [etc.]

WILLIAM PHILLIPS

893.51/2289 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, June 28, 1919, 12 noon.

[Received June 28, 11 a.m.]

The Government desires to develop port of Hulutao and makes inquiry as follows: Will American financial group of the Chinchow-Aigun contract,<sup>1</sup> which contains provisions for port development, furnish loan of \$8,000,000 for this purpose? In default of such action the Government desires to be free to cancel the terms of the agreement and to approach other American financiers for a loan. I would consider it most unfortunate if this option should be abandoned as it is of primary political importance that Hulutao be developed by Chinese or neutral capital to obtain the last opportunity for the creation of a firm port in Manchuria free of Japanese control, therefore I venture to suggest that if the Chinchow-Aigun group itself does not wish to take advantage of this option probably [it could] delegate its rights thereunder to any other American group which the Chinese may designate.

It is understood that certain British interests are desirous of undertaking this work. Probably it might be arranged for these British interests to cooperate.

REINSCH

893.51/2350

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2883

PEKING, July 7, 1919.

[Received August 6.]

SIR: I have the honor to enclose copies of a translation of a memorandum given to me by the Minister of Finance. This was pre-

<sup>99</sup> *Foreign Relations*, 1918, p. 120.

<sup>1</sup> *Ibid.*, 1910, p. 232.

pared in connection with the request for an advance of \$50,000,000 which was communicated to you telegraphically on June 10th [11th].<sup>2</sup>

I have [etc.]

PAUL S. REINSCH

[Enclosure—Translation—Extract]

*The Chinese Minister of Finance (Kung Hsin-chan) to the American Minister (Reinsch)*

MEMORANDUM ON FINANCIAL SITUATION, JUNE 10, 1919

(1) Since the 6th Year of the Republic the income of the Central Government could not have covered its expenses, which is a fact known to foreigners as well as to Chinese, and cannot be concealed. The monthly expenditure of the Central Government is over \$15,000,000., whereas the income amounts to something over \$4,000,000. The difference is often about \$10,000,000. Thus the demands could hardly be met even by borrowing from one to cover the other. When the Peace Conference was opened, officials as well as the people began to hope that the unification of the country would be at hand and that the question of finance could be dealt with from the bottom up. But after a few months a deadlock reigned and the financial difficulty of the Central Government was extremely great. During the past months efforts have been made to maintain the situation by making short term loans which amounted to no less than \$20,000,000, and which were borrowed from the Chinese banks and banking houses of Peking, Tientsin and Shanghai. The term is short but the interest charged is high. Their capital is limited and if there is any failure to return the amount when due, they may fail to meet their obligations and then there may be confusion and deadlock for the financial condition which is a dangerous thing.

(2) As to military expenses, although efforts have been made to cut them short such as to cut the contingent expenses and the transportation of soldiers of the various troops stationed at the different quarters, the monthly expenditure is still about \$10,000,000. Therefore the Ministry of Finance is not able to cook without rice. Though the military needs are urgent, yet the deficiencies are equally great. Up to the present the balance due the various troops is over \$9,400,000. While this is not paid off, further obligations has [have] accrued. If steps are not taken the debt will become bigger and bigger, and there may be trouble which can hardly be avoided as the troops are in need. The danger is indeed great.

Further, if the funds for the management of the various organizations concerning education and industries, are not appropriated according to the time, the workers thereof will feel disappointed and

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<sup>2</sup>Telegram of June 11 not printed; see memorandum of June 20 from the Chinese Chargé, p. 453.



slackness will thus be caused. During these months also due to the discrepancy of income and expenses and to the hardship of borrowing, most of the running expenses for the various organizations are not paid. In view of the situation if remedies are not sought to save it, not only the peace of the place [*country*] cannot be preserved, but also the commercial interests of the various powers will be affected. Thinking of the way beyond, one could not help deeply grieving at it. For the present the most necessary thing to do is to abrogate [*disband*] the soldiers but if the present financial condition is not maintained, there will be immediate trouble and then the soldiers cannot be abrogated. Before the general situation is settled the financial power may be exhausted. So the present financial situation cannot be maintained unless the European and American Banking Consortium makes immediate advances so as to quickly save it. After taking the situation into serious consideration, it is proposed to request the consortium to devise ways and means to advance Mex. \$50,000,000 within three months, the expenditure of which is specifically put down as follows:

The above expenses are distinguished into four kinds, namely, political and military appropriations; subsidies and debts; of which the latter two items to be paid each month are more than the amount as described. Those contained in the list are very important and urgent and are to be paid from advances. There are other necessary payments of debts and urgent military expenses which are to be ascertained and appropriated from the monthly income of \$4,000,000 of the Central Government. Thus, the shortage of military supplies for various places may be avoided and the fear for the local financial situation may be removed, and while the Central Financial receipts can cover its expenditures the troops can be abrogated on the one hand and loans be arranged on the other so as to cure the situation from the bottom up, in the hope that within three months definite plans will be made to satisfy the good will of the friendly nations which have been giving assistance.

*Expenses 2*

Funds for abrogation [ <i>disbandment</i> ] of troops of \$20,000,000.00	
1st month-----	\$6,666,666.00
2nd "-----	6,666,666.00
3rd "-----	6,666,666.00

In accordance with the Supplementary Note No. D. of the Re-organization Loan Agreement of the 2nd Year of the Republic, the plan is to disband troops of the provinces in proportions. The fixed amount is over T 20,870,000. As the length of time of this war has necessitated the increase of soldiers, the troops to be disbanded and the expenses in connection therewith are proportionately increased.

When the matter of disbandment is put into effect after the unification of the country, the difference will be great, considering the amount of \$20,000,000. This is a matter of importance. It is proposed to gather together the military experts of the whole country to establish a provisional organization of adjustment for discussing procedures and deciding plans for general supervision, so as to show clearly to [*sic*] the confidence entrusted. With the exception of paying the ration due, the procedure of disbanding soldiers will be still in accordance with that adopted in the second year of the Republic, that is, at the same time, to pay "disbanding gratuity" \$300 for each officer and \$20 for each soldier, plus \$4.00 as travelling allowance. Suppose half of the above \$20,000,000 is for payment of salaries due and half for disbanding gratuity. Suppose, from the latter half the officers get 3/10 and the soldiers get 7/10. Then officers to be disbanded will be over 9,000 and soldiers, about 300,000. But rations before disbanding and expenses in connection with the removal of soldiers from their quarters, and with the securing [of] other positions for them, are not included. Therefore the suggested plan is a preliminary proposition. That [*sic*] how many soldiers and how many officers can be eventually disbanded, is to be decided when the opportunity arrives. Of course, it is expected that one more soldier can be disbanded and [*sic*] one soldier's ration can be saved, so that the loan may not be wasted. Moreover those who are in charge of the matter must handle it gently and not to [*sic*] take hasty steps in order to avoid trouble.

#### SECURITY FOR ADVANCE—SALT SURPLUS

The salt income is increased year after year. The estimate for the 8th year (1919) of the Republic is over \$91,686,000. Apart from using the salt tax as security for the past several loans of which the amount which has not been refunded, is very large this year, necessitating an appropriation of more than \$31,000,000.00, there will still remain a surplus of about \$60,000,000 which is proposed as security for the advance.

As the period of time for the return of the advance sooner or later, has greatly to do with the installments to be refunded, a certain amount should be proportionately appropriated each month from the yearly surplus of \$60,000,000. as reserved fund for refunding the principal and interest of the loan when the period of time for the return of the advance is settled.

#### INSPECTION OF USES OF ADVANCE

The procedure for inspecting uses of the re-organization loan of the 2nd year (1913) of the Republic was defined in Art. 14 of the

original agreement. Subsequently, during the 6th year (1917) and the 7th year, (1918) of the Republic, the Yokohama Specie Bank representing the Four Powers Banking Group, made the 1st, 2nd, and 3rd, advances on currency reform by basing upon the procedure of inspection as contained in Art. 14 of the agreement. This time the procedure of inspection should also be in accordance therewith, so as to test truth and faith.

Procedure in Art. 14 of the Re-organization Loan Agreement is appended herewith.<sup>3</sup>

Any certificate for taking delivery of loan funds should be signed for approval by the Chinese and Foreign Inspectors of the Loan Inspection Office (Note: in English they are called Chinese and Foreign Chiefs of the Bureau of National Loans) which is under the jurisdiction of the Department of Auditor. The amount of money to be handed over by any bank should be delivered in accordance with the actual amount needed for the matter.

In connection with the delivery of loan funds by the bank in which they are deposited, the money order and/or money delivery instruction should be signed by the deputy appointed by the Minister of Finance, and the signed certificate as described in the previous paragraph, together with the appropriation instruction, should be sent to the representative to be designated by the bank. After the representative examines and finds that the proposed amount is appropriated in compliance with Art. 2 of the Loan Agreement, and with the supplement thereof, he shall immediately attach his signature on the order which is to be returned to the Ministry of Finance for taking delivery of the fund.

If the representative of the bank is in doubt [as to the amount] of the loan fund which has been already paid out, he can inquire [of] the Foreign Inspector of the Foreign Office (Note: in English he is called Foreign Chief of the Bureau of National Loans) of the Department of Auditor and ask for receipts and detailed data [*data*] for inspection.

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893.51/2306: Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, July 11, 1919, 7 p.m.

Department's July 3, 7 p.m.<sup>4</sup>

Reply from American Group states that "while the loan contract for the Chinchou-Aigun Railway, which was entered into between

<sup>3</sup> Enclosure not printed.

<sup>4</sup> Not printed; see the Minister's telegram of June 28, p. 512.

the Manchurian Government and the original American Group, has never become operative, the American Group at the same time has not relinquished any rights which it may have thereunder. In any event the plan for the development of this port would be a matter for consideration by the new consortium, to which we will be happy to present it when the organization of the consortium is effected."

POLK

893.51/2343 : Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, July 31, 1919, 6 p.m.

[Received 10.40 p.m.]

My telegram July 25, 2 p.m. [1 p.m.?<sup>5</sup>] Japanese Minister informs me that he believes Peking Government should be supported by moderate monthly advance in order to avoid total break down and consequent trouble with troops. He asked my opinion. I agreed in general. While the Government is weak and many believe that its utter collapse would bring no serious trouble except at Peking, because the military [commanders] pay their own troops, yet President Hsu is the only representative of Chinese unity and the Acting Premier, Kung, is a man [of] honest intentions. Therefore I believe desirable that the American Group should act on the proposal conveyed in my telegram June 11, 3 p.m.<sup>6</sup> and the memorandum in my despatch 2883 July 7th<sup>7</sup> containing complete schedules of expenses on the basis of \$10,000,000 per month; the American and Japanese groups could join in making this advance. Monthly installments should be \$5,000,000 so as to enable the Government to share burden of Southern authorities and gain their adhesion as well as gradually to reduce military personnel. The advance ought to be conditioned on acceptance by South and definite assurance as to allocation of funds as per memorandum submitted. Memorandum given to the Japanese is an extract from the first memorandum eliminating items so as to reduce the amount.

I beg to submit that the making of an advance by Japan alone would impede the efforts to put Chinese finance on a firm basis through the new consortium but that a joint advance would assure completion of the consortium while giving time for details to be adjusted.

REINSCH

<sup>5</sup> Not printed; see telegram of July 31 from the Secretary of State to the Ambassador in France, p. 474.

<sup>6</sup> Not printed.

<sup>7</sup> *Ante*, p. 512.

893.51/2398

*The Minister in China (Reinsch) to the Secretary of State*

No. 2925

PEKING, August 4, 1919.

[Received September 3.]

SIR: In reply to your instructions No. 996 of June 18,<sup>8</sup> relating to an accomodation advance of \$300,000 by the International Banking Corporation to the Chinese Minister of Education, I have the honor to make the following report:

Your telegraphic instruction of November 16, 1918,<sup>9</sup> related to a proposal to make a joint declaration in common with Great Britain, France, and Japan. As such joint declaration was not made,<sup>10</sup> it was not understood that the American Government had bound itself in this matter. It was, indeed, understood that no loans would be made by Americans which, either on account of their size or their application, would, in any way, encourage the continuance of civil dissension and hostilities in China. It was not believed that the making of occasional small advances in current banking business was to be especially discouraged. The Banks of Peking constantly make such advances in the ordinary course of business.

In connection with the present advance, the special precaution was taken of informing the representatives of the southern authorities. No objection whatsoever has been made to this advance the character of which is thoroughly understood. The fact that when the Chinese Government was unable to furnish money to the Ministry of Education the American Bank should have made an advance at the ordinary rates of interest (while the Chinese Government has frequently had to pay as high as 2% a month) is received with nothing but recognition, as is also the fact that the urgent temporary needs of education in the metropolitan district have thus been met.

For all the above reasons, I do not believe that the making of this advance was contrary to the policy, the international adoption of which the American Government advocated in November 1918.

I have [etc.]

PAUL S. REINSCH

<sup>8</sup> *Ante*, p. 511.<sup>9</sup> *Foreign Relations*, 1918, p. 120.<sup>10</sup> The Minister had evidently overlooked the joint *aide-memoire* presented early in December, 1918, to the President of China and the Southern leaders by the Governments of France, Great Britain, Italy, Japan, and the United States. See *Foreign Relations*, 1918, p. 134.

893.51/2402

*The Minister in China (Reinsch) to the Secretary of State*

No. 2933

PEKING, August 5, 1919.

[Received September 3.]

SIR: I have the honor to report that at a meeting on June 27th, the Diplomatic Corps agreed to make no objection to the release of an accumulated Customs surplus to the amount of Ts. 3,000,000. The Peking Government had previously made arrangements with the southern authorities for the latter to participate in the released funds to the extent of Ts. 500,000. On account of this agreement the opinion prevailed among the foreign representatives that there was no obstacle to the release. There was no ground to object on account of inadequacy of security.

The agreement of the Diplomatic Corps, however, was not perfect; much to the surprise of everybody, the Italian Minister insisted that he could not give his consent to the release unless the Chinese Government should pay the claim made by a certain Italian subject—Passeri. . . . Although the opinion was quite strongly expressed to the Italian Minister that it was neither in accordance with our rights in the matter nor with previous custom that such extraneous matters should be dragged in as a basis for action on Customs surplus, and that, in fact, our only function in this matter was to safeguard the loans secured on the Customs revenue beyond which we have no right to interfere with the Chinese use of their own money, nevertheless the Italian Minister remained obstinate having received instructions from his Government. The attitude of the Diplomatic Corps was notified to the Chinese Government who gave orders to the Inspector-General of Customs to pay over the surplus. This action clarifies the relations which the Diplomatic Corps has towards the release of the Customs Revenue and goes toward establishing the following principle: The Diplomatic Corps will not object to the release of any Customs revenue surplus whenever the payment of foreign loan charges on the Custom[s] Revenue is adequately provided for. The only exception would be a situation which existed last winter when the release of the Customs surplus threatened to cause radical action on the part of the southern authorities—a contingency which had to be taken into account in the determinations of the Diplomatic Corps. In other words, it is quite well established that an individual Minister cannot hold up the handing over of Customs funds on condition of having some special claim satisfied in which he is interested. It will be remembered by

the Department that a previous attempt by the Italian Minister to hold up the release of salt funds for a similar reason was also not successful. Should such a practice have been established, no sound financial administration nor equitable adjustment of claims would have been possible.

There is herewith enclosed copy of an editorial from *The Peking Leader* of July 18th setting forth the importance of this precedent.<sup>12</sup>

I have [etc.]

PAUL S. REINSCH

893.51/2376: Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, August 21, 1919, 7 p.m.

[Received August 21, 1.50 p.m.]

Asia Banking Corporation has made a contract for a loan of \$500,000 with the Hupeh Provincial Government, with Central Government sanction and guarantee security income of provincial mint, purpose not stated. Japanese bank claims option [on] all Hupeh loans. Provincial Government considers Japanese terms too high. Should the Legation approve?

REINSCH

893.51/2381: Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, August 23, 1919, 1 p.m.

[Received August 23, 11.14 a.m.]

Referring to my cable of August 21, 7 p.m. It is reliably reported that the Shensi Provincial Government has negotiated a loan with Japanese interests of \$3,000,000.

REINSCH

893.51/2385: Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, August 26, 1919, 6 p.m.

[Received August 26, 3.30 p.m.]

Hsu En-yuan, who is proceeding to the United States on an official mission, has been authorized by Prime Minister and Minister of Finance to resume negotiations with the Continental and Commercial Bank in relation to the wine and tobacco tax option.<sup>13</sup> Prime Minister requests that you advise Abbott of this in order that he may be prepared to resume negotiations on the arrival of Mr. Hsu during [the last week] in September. This is a confidential mission, [not]

<sup>12</sup> Not printed.

<sup>13</sup> See p. 505; also *Foreign Relations*, 1916, p. 142, art. 9.

apparently Hsu's formal mission, and must not be made public. There is no intention of ignoring the consortium, but in view of uncertainty, as [to] when the consortium will be prepared to do business, and the urgency of China's financial requirements it is desired to [complete] negotiations with the Continental Bank which can make any arrangements desirable *vis à vis* the consortium. As this option has continued in force in the face of considerable opposition, it would seem to be a matter in which action is eminently proper.

REINSCH

893.51/2381 : Telegram

*The Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, August 30, 1919, 2 p.m.

Your telegrams August 21, 7 p.m. and August 23, 1 p.m.

The Department desires to receive the text of the understanding reached by the several interested powers and by them communicated to the Chinese Government in regard to the withholding of financial assistance.

It wishes furthermore to be informed of the purpose of the provisions for supervision of expenditures of the loans referred to, also of such other facts as may enable it to judge of their relation to the understanding mentioned and to the pending proposals for the consortium.

LANSING

893.51/2395 : Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, September 1, 1919, 4 p.m.

[Received 4.25 p.m.]

Your telegram August 30, 2 p.m. No communication has been made to the Chinese Government concerning the withholding of financial assistance, with the exception of the memoranda inclosed in my despatch 2573 [2572] March 7th<sup>14</sup> which related entirely to the War Participation loan which had been objected to by the Shanghai Peace Conference. While an agreement for generally withholding financial assistance was proposed the matter never got beyond the stage in my despatch 2446 January 10<sup>15</sup> although there exists tacit understanding to make no loan to the Central Government which might be utilized for resumption of hostilities, also considered impolitic to make any Central Government loans except conditioned upon understanding with South. I do not believe any tacit understanding exists with respect to provincial loans.

<sup>14</sup>Ante, p. 310.

<sup>15</sup>Ante, p. 291.



Hupeh loan contract contains nothing concerning purposes or supervision. Loan is presumably made for administrative provincial expenses. Any conditions which the Department might consider necessary for safeguarding could probably be added. Provincial Government bank and Consul General Cunningham hope for earliest possible decision.

REINSCH

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893.51/2395 : Telegram

*The Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, September 4, 1919, 3 p.m.

Your September 1, 4 p.m.

In view of understanding between the Department and Japanese Embassy covered by Department's November 16, 6 p.m., and December 5, 8 p.m.,<sup>16</sup> and pending proposals for consortium which is intended to include specifically provincial loans the Department believes that it would be impolitic to approve of proposed Hupeh provincial loan.

LANSING

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893.51/2385 : Telegram

*The Acting Secretary of State to the Chargé in China (Tenney)*

WASHINGTON, September 22, 1919, 5 p.m.

Your August 26, 6 p.m.

Please ascertain and advise the Department as precisely as possible what powers have been entrusted to Hsu En Yuan. It is particularly desired to know whether he is authorized to renew the existing Chicago Bank loan of \$5,000,000<sup>17</sup> and whether he is empowered to negotiate for the supplementary loan of \$25,000,000 contemplated by the contract.

PHILLIPS

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893.51/2436 : Telegram

*The Chargé in China (Tenney) to the Secretary of State*

PEKING, September 24, 1919, 6 p.m.

[Received September 24, 1.50 p.m.]

Your telegram of September 22, 5 p.m. The Ministry of Finance has given me assurance verbally and in writing that Hsu En-yuan is authorized to renew the existing Chicago Bank loan of \$5,000,000 and also to negotiate for supplementary loan of \$25,000,000 contemplated by original contract.

TENNEY

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<sup>16</sup> *Foreign Relations*, 1918, pp. 120 and 135, respectively.

<sup>17</sup> See *ibid.*, 1916, pp. 138-143.

893.51/2444 : Telegram

*The Secretary of State to the Chargé in China (Tenney)*

WASHINGTON, September 30, 1919, 3 p.m.

Substance of your September 29, 5 p.m.,<sup>18</sup> has been repeated to London and Paris for information and for such discreet use as Ambassadors may deem judicious in furtherance of effort to expedite a favorable decision by the British and French Governments.

What has been or is being done with reference to the currency loan option held by old consortium which expires October 11?

LANSING

893.51/2455 : Telegram

*The Chargé in China (Tenney) to the Secretary of State*

PEKING, October 3, 1919, 5 p.m.

[Received October 3, 1.40 p.m.]

The Japanese Minister called today to express his apprehension that there would be general disorder throughout North China unless financial assistance is soon given to the Peking Government. He alluded to the suggestion made to the old consortium by the Japanese Government, that the old consortium arrange for a loan. He said that no reply had been received from London to the request of the consortium bankers for instructions. As the Japanese would be the principal sufferers if disorders break out, it would be necessary for Japan to act independently in financing the Peking Government if it cannot be done through the consortium. He expressed the hope that American financiers would cooperate in a loan, part of which might be allotted to the Southern Government.

TENNEY

893.51/2456 : Telegram

*The Chargé in China (Tenney) to the Secretary of State*

PEKING, October 3, 1919, 7 p.m.

[Received October 3, 1.30 p.m.]

Replying to Department's September 30, 3 p.m. The following telegram was sent by the Hongkong Shanghai Banking Corporation yesterday:

"Following the examination [*sic*] for British and French groups. With reference to currency loan option expiring October 14, as [negotiations] for further extension would involve cooperation of Russians and Japanese which might affect freedom of action of new

<sup>18</sup> *Ante*, p. 490.

consortium and as option itself has ceased to be of practical value, we propose to let it lapse. Telegraph if you approve."

The objection to the course proposed in above telegram is that it would give Japanese the opportunity to press their scheme for controlling the Chinese currency. Please send instructions as to Legation's attitude.

TENNEY

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893.51/2456 : Telegram

*The Secretary of State to the Chargé in China (Tenney)*

WASHINGTON, October 10, 1919, 2 p.m.

Your October 3, 7 p.m.

The Department perceives no objection to the proposal of the banks to let the option for the Currency loan lapse unless it be on the grounds pointed out in the latter part of your telegram in view whereof it is desired that you reemphasize this Government's former reservation contained in the Legation's note No. 857 to the Foreign Office of October 8, 1918,<sup>19</sup> as to its right to be consulted in any project of currency reform which the Chinese Government may propose to adopt.

LANSING

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893.51/2466a : Telegram

*The Secretary of State to the Ambassador in Great Britain (Davis)*<sup>20</sup>

WASHINGTON, October 11, 1919, noon.

6072. Lest there be any misunderstanding on the part of the Government to which you are accredited or its financial group you will advise the Foreign Office, that the Continental and Commercial Trust and Savings Bank of Chicago is concluding with a representative of the Chinese Government an agreement for a loan of \$5,500,000 in the form of a new flotation for the sole purpose of enabling the Chinese Government to meet its obligations to that Bank which mature November 1 proximo in accordance with the loan contract of November 16, 1916.<sup>21</sup> The proceeds will be somewhat less than the requirements of the maturing principal and interest.

Repeat to Paris for similar action.

LANSING

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<sup>19</sup> *Foreign Relations*, 1918, p. 159.

<sup>20</sup> The same telegram, with the last paragraph omitted, sent, Oct. 11, to the Ambassador in Japan.

<sup>21</sup> See *Foreign Relations*, 1916, pp. 138-143.

893.51/2489

*The Vice President of the Continental & Commercial Trust & Savings Bank of Chicago (Abbott) to the Secretary of State*

WASHINGTON, October 21, 1919.

SIR: We hand you herewith fourth original of agreement<sup>22</sup> entered into between the Republic of China and this Bank, dated October 20, 1919, which we would ask you to read and place in your files.

While not mentioned in the contract, it is set forth in separate memoranda, and is distinctly understood by Messrs. Hsu Un Yuen and Yung Kwai, who signed the contract on behalf of the Chinese Government, that the same shall not become effective until the contract has been approved by the Executive Committee of this Bank.

Yours respectfully,

CONTINENTAL AND COMMERCIAL  
TRUST AND SAVINGS BANK OF CHICAGO  
By JOHN JAY ABBOTT, *Vice President*

893.51/2502b

*The Secretary of State to the Vice President of the Continental & Commercial Trust & Savings Bank of Chicago (Abbott)*

WASHINGTON, October 21, 1919.

SIR: The Department recalls that on November 16, 1916, it addressed to you a letter in which it stated that it was always gratified to see the Republic of China receive financial assistance from the citizens of the United States, and that it was its policy to give all proper diplomatic support and protection to legitimate enterprises abroad of American citizens.<sup>23</sup>

The Department has read with much interest the new loan contract which you have concluded with the Chinese Government and referred to the Department, and notes with pleasure this evidence of your continued interest in Chinese financial matters.

The international consciousness resulting from the close associations of our country with other nations, in consequence of the war, has further accentuated the interests of this Government in encouraging and aiding, in every proper way, the undertakings of its nationals in foreign countries, in furtherance of that free intercourse which it is appreciated is mutually advantageous and which should be encouraged and supported. To the accomplishment of this end, this

<sup>22</sup> Not printed.

<sup>23</sup> *Foreign Relations*, 1916, p. 138.

Government is willing to take all proper steps to insure the execution of equitable contracts which are made in good faith.

I am [etc.]

ROBERT LANSING

893.51/2495a : Telegram

*The Secretary of State to the Chargé in China (Tenney)*

WASHINGTON, October 21, 1919, 5 p.m.

Until the matter herein referred to has been made public by the Chicago Bank you will treat it as confidential save in so far as it may be necessary to discuss it with the interested Chinese officials.

John Jay Abbott, Vice President of the Continental and Commercial Trust and Savings Bank, has concluded, subject to the approval of the Executive Committee of his Bank, a contract with the Chinese Government for a loan of \$30,000,000 of which \$10,000,000 is underwritten firm and \$20,000,000 in respect to which they will immediately endeavor to underwrite or sell. This contract signed October 20th will if so approved take the place of the \$5,500,000 loan negotiated October 11th and will provide that out of the proceeds the \$5,000,000 maturing November 1 under the Chicago Bank Loan shall be paid. It also provides \$1,000,000 for reorganization of Tobacco and Wine Administration and other purposes to be agreed upon: it further provides for arrears in pay of Board of War troops with a view to their eventual disbandment, and for arrears due police, bannermen, staffs of the Legations, and Departments of Justice and Education, and for Manchu pensions and short maturities to native banks. The contract is signed in behalf of the Chinese Government by Hsu Un Yuen, acting under special authorization in the name and on behalf of the Premier and Minister of Finance, and Yung Kwai, Chargé d'Affaires and it is desired that you obtain from the Premier and Minister of Finance at once in writing confirmation of the authority of these representatives to negotiate and sign the contract, also stating in substance that the making of said \$30,000,000 loan, pledging of the security, issue of Treasury Notes with coupons as provided for and the execution and delivery of the contract are each and all entered into and duly authorized by the Chinese Government and are each and all in accordance with the Constitution and laws of the Republic of China and in no way contrary to any treaty, convention or agreement of any kind. You will cable to the Department the full text of such communication received from Premier and Minister of Finance. The security for the loan is the entire revenue of the Tobacco and Wine Administration, subject to previous loans already charged thereon and not redeemed and in the event that this secur-

ity shall be determined by the Bank to be insufficient there shall be given as additional security the surplus Salt revenue released and to be released to the Chinese Government by the Salt Administration and for that purpose the loan referred to is now in the said contract constituted a direct charge upon the said surplus revenues to be released from the Salt Administration to China. The loan is to net the Chinese Government 91 and to draw 6 per cent interest for two years from November 1, 1919.

In order to clear up any question of conflict with the option of the old Consortium it is hoped that the Chinese Government will without delay give notice that it considers that all such rights and options under the Reorganization Loan Agreement have lapsed by reason of the failure to exercise that option when so requested by the Chinese Government.

LANSING

893.51/2493a : Telegram

*The Secretary of State to the Ambassador in Great Britain  
(Davis)*<sup>24</sup>

WASHINGTON, *October 22, 1919, 5 p.m.*

6114. Referring to the Department's telegrams of September 16, 4 p.m., and October 11, 1 p.m.,<sup>25</sup> this Government has learned that since it made the proposal embodied in its telegram of September 16, 4 p.m., for a tripartite consortium to avert the imminent danger that the desperate financial situation might cause the Chinese Government to have recourse to measures which would be incompatible with plans for the rehabilitation of Chinese finances that situation has become so accentuated that some measure of immediate financial relief appears to be the only alternative to the political disintegration of China. Under these circumstances, and pending a decision as to the formation of an international financial consortium—whether or not including Japan—on terms which do not involve further encroachments upon the administrative and economic status of China, this Government has approved the conclusion by the Chicago Continental and Commercial Bank of a contract for a short term emergency loan of \$30,000,000 under an option held by it under the terms of the loan contract concluded by it with the Chinese Government on November 16, 1916.<sup>26</sup>

This contract, signed October 20 subject to the approval of the Executive Committee of the Bank, will, if so approved, take the

<sup>24</sup> See last paragraph for instruction to repeat to Paris. The same telegram, with the last paragraph omitted, sent, Oct. 22, to the Ambassador in Japan.

<sup>25</sup> *Ante*, pp. 486 and 493, respectively.

<sup>26</sup> See *Foreign Relations*, 1916, pp. 138-143.

place of the five and a half million dollar loan which was the subject of the Department's October 11, noon.

It also provides \$1,000,000 for reorganization of Tobacco and Wine Administration and other purposes to be agreed upon; it further provides for arrears in pay of Board of War troops with a view to their eventual disbandment, and for arrears due police, bannermen, staffs of the Legations, and Departments of Justice and Education, and for Manchu pensions and short maturities to native banks. The security for the loan is the entire revenue of the Tobacco and Wine Administration, subject to previous loans already charged thereon and not redeemed and in the event that this security shall be determined by the Bank to be insufficient there shall be given as additional security the surplus Salt revenue released and to be released to the Chinese Government by the Salt Administration and for that purpose the loan referred to is now in the said contract constituted a direct charge upon the said surplus revenues to be released from the Salt Administration to China. The loan is to net the Chinese Government 91 and to draw 6 per cent interest for two years from November 1, 1919.

It is desired that you communicate to the Government to which you are accredited the conclusion of this loan with the comment that this Government has given its approval on the understanding that in the event of the formation of the proposed consortium the Chicago Bank will fully cooperate with the American Group with a view to devoting to the purposes of that consortium so far as feasible the rights accruing to the Bank under this contract. You will particularly emphasize the fact that this Government's approval of the Chicago loan indicates no change in its desire for the formation of a consortium on the terms originally proposed and preferably including Japanese participation.

Repeat to Embassy Paris as 9206 without delay.

LANSING

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893.51/2494 : Telegram

*The Ambassador in France (Wallace) to the Secretary of State*

PARIS, October 23, 1919, 9 p.m.

[Received 11.08 p.m.]

1551. I conveyed to the French Government the information contained in your 6072, 11th October to London and have today received a communication from Minister for Foreign Affairs stating that in as far as the French Government is concerned it is disposed to agree that this loan is not inconsistent with the understanding reached between the financial groups for the establishment of the financial consortium in China.

Mr. Pichon adds that he is convinced that French Government will not be alone of that opinion if all the governments will make some concessions to reach a definite agreement in regard to the Chinese consortium.

WALLACE

893.51/2503 : Telegram

*The Ambassador in Japan (Morris) to the Secretary of State*

TOKYO, October 27, 1919, 11 p.m.

[Received October 28, 7.40 a.m.]

I orally communicated the substance of your October 22, 5 p.m.<sup>27</sup> to the Vice Minister of Foreign Affairs. He expressed his personal surprise at the action of our Government in approving the loan, explaining that at the conference of the Allied representatives in Peking there had been a tacit (he would not say agreement, but rather) understanding that no one of the Governments represented would approve the conclusion of any loan to the Government of China without consulting the other Governments interested. He explained further that this particular loan would prove, he feared, a serious embarrassment to the Japanese Foreign Office because since the advent of the present Ministry the Government, in the face of considerable opposition from business interests, had withheld approval of all proposed loans to the Chinese Government which might be used for political ends by the Chinese Government, alleging, as one of the Japanese Government[']s reasons, the necessity of first reaching some more satisfactory international understanding. He surmised that the action of our Government, when made public, would subject the present Ministry of Japan, and the Foreign Office, to severe criticism in holding back Japanese private enterprise and merely opening the way for American interests to step in.

At the conclusion of the interview he asked for a written statement of the terms of the loan, which I agreed to furnish in a personal note to him.

MORRIS

893.51/2507 : Telegram

*The Ambassador in Great Britain (Davis) to the Secretary of State*

LONDON, October 29, 1919, 8 p.m.

[Received October 30, 4.20 a.m.]

3318. Memorandum, based on your 6114, October 22nd, 5 p.m., regarding short term loan to Chinese Government, handed to For-

<sup>27</sup> See footnote 24, p. 527.



eign Office on 25th instant and, together with your 6121,<sup>28</sup> discussed at length on 27th. Lord Grey's<sup>29</sup> telegraphic explanation of his misunderstanding of conversation with the Secretary did not appear entirely clear. Foreign Office fears that action of the Chicago Bank may cause Japan to renew efforts to extend separate financial assistance to China on the ground that American institutions have done precisely what Japan has been requested not to do and has therefore telegraphed Embassy at Washington in this sense. In this connection, Foreign Office intended that [its] suggestions transmitted in our 3161 of October 2nd,<sup>30</sup> noon, should contemplate an immediate advance not to exceed £5,000,000 sterling by the interested powers. As present discussions regarding reservations [omission] and now fears lest inclusion of this suggestion, in connection with the third alternative set forth in said telegram, may have occasioned some ambiguity. The proposal as telegraphed, however, had been previously read to and approved by Foreign Office. The Foreign Office moreover is willing to renew endeavors to induce Japan to enter consortium without reservations and having so advised the Embassy at Washington awaits reply from Lord Grey before renewing efforts here and in Tokyo. This method of procedure still appears to be connected with Lord Grey's impression that negotiations are to be carried on in Washington as well although such is not our understanding.

I am to-day informed that Sir John Jordan's<sup>31</sup> latest despatch, just received, confirms our views as to the urgency of the Chinese financial situation.

DAVIS

893.51/2523

*The Vice President of the Continental & Commercial Trust & Savings Bank of Chicago (Abbott) to the Chief of the Division of Far Eastern Affairs of the Department of State (MacMurray)*

CHICAGO, October 30, 1919.

[Received November 3.]

DEAR MR. MACMURRAY: This is to confirm conversation this morning with Mr. Breckinridge Long, as requested by him.

I advised Mr. Long that our Directors had decided not to approve the contract of October 20, 1919, and that we would not take any action under said contract. The principal reasons which actu-

<sup>28</sup> *Ante*, p. 497.

<sup>29</sup> British Appointed Ambassador on special mission at Washington.

<sup>30</sup> *Ante*, p. 491.

<sup>31</sup> British Minister in China.

ated us to this decision are, first, that we today received from the Chinese Legation, Washington, a letter dated October 28th in which it is stated that a cablegram from the Ministry of Finance at Peking "is of the opinion that the pledging of the surplus of the salt revenue as security for the new loan (\$30,000,000) may give the Chinese Government no little embarrassment as the existing International Banking Group is sure to enter a protest on this account",—"instead of the salt revenue the Ministry wishes to offer as a substitute the Goods Tax receipts from the revenues which annually bring to the Government a revenue of \$15,000,000, etc. etc." All of our discussions with those whom we had hoped to associate with ourselves in such financing, had been based upon having as additional security the said surplus revenues from the salt; it is altogether too late to consider making a change in the security and also such a change would necessitate much explanation which could not be expected to produce a favorable opinion. Second, the extremely unsatisfactory condition of the American Investment Market due to the reception accorded the \$250,000,000 loan of the United Kingdom of Great Britain & Ireland, which up to this time has left the Investment Banking Houses, and the principal distributors of securities, with outstanding commitments in respect to that issue which they have so far been unable to relieve themselves of, with the result that we have noticed a disposition on the part of such concerns, at this particular time, not to undertake further obligations or commitments until they are able to see more clearly the way to discharge the liability incurred through the United Kingdom loan.

I advised Mr. Long that we had definitely decided not to undertake the \$30,000,000 loan, or any part thereof, but that we would immediately bring out an offering of Chinese two-year 6% Notes in the amount of \$5,500,000, as provided for in the contract between China and this Bank, dated October 11, 1919, and that in this connection we would use Secretary Lansing's letter dated October 21, 1919. To all of this Mr. Long was agreeable, but asked that we make a particularly strong effort to see that it should not appear, in any quarter, that there had been a failure of a big loan to China. I promised him that we would do anything and everything that was possible to see that no such information should come out and to that end we have cautioned all of our Directors and Officers and have had one of our Vice Presidents, who is at present in New York, talk in the same sense with the people in New York with whom this \$30,000,000 loan has been discussed.

The above confirms the conversation of this morning.

So that the file and record of your Department may be complete, we enclose herewith certified copies of the following:—<sup>32</sup>

(1) Agreement between the Republic of China and Continental and Commercial Trust and Savings Bank, Chicago, dated October 20, 1919. We call your particular attention to the addition to this contract on the last page thereof, dated October 23, 1919, initialed by Mr. Hsu Un Yuen and myself. This was made necessary because Mr. Hsu was leaving Chicago the day before I could arrive and take the matter up for discussion with our Board of Directors, and desired to take one copy of the contract with him.

(2) Agreement between the Republic of China and Continental and Commercial Trust and Savings Bank, dated October 23, 1919, in respect to an option.

(3) Agreement between the Republic of China and Continental and Commercial Trust and Savings Bank, Chicago, dated October 23, 1919, relating to the amortization of the \$30,000,000 loan commencing October 30, 1920. It was our thought that if the loan distribution could have been made without putting this Agreement into effect that we would use the Agreement only in the event that the Four-Power Consortium would not have been formed by October 1920; in other words, that if the Consortium was organized before that time we would look to it in respect to the maturity of the loan, and if it were not organized that we might find it desirable to provide for the payment of the loan in the manner covered by the Agreement.

(4) Letter to the undersigned, signed by Mr. Hsu Un Yuen and Mr. Yung Kwai, arranging for certain details as to how the money should be withdrawn from the Chicago Bank as, if, and when it were made available to the Chinese Government.

(5) Letter from the Charge d'Affaires of the Chinese Legation, Washington, to Continental and Commercial Trust and Savings Bank, dated October 25, 1919, enclosing translation of a cablegram from the Cabinet carrying the required confirmation of the loan.

I am indeed very sorry that this business did not eventuate, but there are conditions over which we have no control.

Kindly acknowledge receipt.

Very truly yours,

JOHN JAY ABBOTT

893.51/2519a : Telegram

*The Acting Secretary of State to the Vice President of the Continental & Commercial Trust & Savings Bank of Chicago (Abbott)*

WASHINGTON, October 31, 1919.

The Department has learned with keen disappointment that question has been raised as to assignment of salt surplus as security for proposed loan under Article 3 of your contract of October 20th. The

<sup>32</sup> Enclosures not printed.

uncertainty and prospect of delay thus introduced are embarrassing to Department which had considered that urgency of the Chinese Government's necessities would warrant modification of previous insistence upon principle of international financial coöperation, as delay interposed by Chinese Government tends to invalidate reasons for that departure from previous policy.

Department under these circumstances deems it proper to accede to a proposal of British Government for an immediate advance of £5,000,000 by the banking groups of the four interested powers to be made without prejudice to discussions now proceeding for formation of new Consortium. To this end Department has to request that your bank postpone at least temporarily its confirmation of loan contract of October 20th and proceed only to issue of smaller loan contracted October 11th for the redemption of bonds maturing under its loan of 1919.

WILLIAM PHILLIPS

893.51/2520 : Telegram

*The Vice President of the Continental & Commercial Trust & Savings Bank of Chicago (Abbott) to the Acting Secretary of State*

CHICAGO, November 1, 1919.

[Received November 1, 3.01 p.m.]

Your telegram October 31st received this a.m. We accede to your request and will postpone at least temporarily the confirmation by our executive committee of loan contract of October 20 and proceed only to issue smaller loan contracted under agreement of October 11 for the redemption of funds maturing to-day.

JNO. J. ABBOTT

893.51/2456 : Telegram

*The Secretary of State to the Chargé in China (Tenney)*

WASHINGTON, November 7, 1919, 6 p.m.

With reference to Department's telegram of October 10, 2 p.m.,<sup>83</sup> please report by telegraph present status of Currency loan option and action taken by Legation.

LANSING

893.51/2533

*The British Appointed Ambassador (Grey) to the Secretary of State*

No. 812

WASHINGTON, November 8, 1919.

SIR: With reference to my conversation with Mr. Phillips on November 1st on the subject of loans to China, I have the honour to

<sup>83</sup> Ante, p. 524.

convey to you an expression of the satisfaction of His Majesty's Principal Secretary of State for Foreign Affairs that the independent loan by the Chicago Bank has been abandoned and that the United States Government are prepared to adopt the proposal put forward by His Majesty's Government for an immediate advance by the Four Powers without prejudice.

Lord Curzon<sup>34</sup> is instructing His Majesty's Representatives at Tokyo and Paris to bring to the notice of the Japanese and French Governments respectively the proposal for a £5,000,000 loan on the terms which were communicated informally early in October to the Counsellor of the United States Embassy in London, viz. that the United States, Japanese, French and British Groups should, with the official support of their respective Governments make a small loan to China as soon as possible without prejudice to discussions which were proceeding at the time respecting the exclusion of specific areas from the scope of the Consortium or to conditions which might be attached to future loans.

The loan which should be applied solely to meet the urgent needs of China, should not exceed £5,000,000 and should be secured on the rock salt revenue. It should be conditional on the immediate resumption of negotiations between the North and South and on the disbandment of a large number of unnecessary troops including those raised for the purpose of an expedition into Mongolia and of war participation in general. The application of the proceeds of the loan, as well as the question of disbandment to be under the expert control of the Four Groups and Governments.

I am directed to express the hope that you will instruct the United States Representatives in Paris and Tokyo to support these proposals.

With regard to the transfer of the negotiations to New York, the subject is one which seems to concern the Groups rather than the Governments and Lord Curzon is consulting the British Group in the matter.

I have [etc.]

(For H. M. Ambassador)

R. C. LINDSAY

893.51/2532 : Telegram

*The Chargé in China (Tenney) to the Secretary of State*

PEKING, November 10, 1919, 6 p.m.

[Received November 10, 6.40 a.m.]

Referring to Department's telegram of November 7, 6 p.m. Legation reaffirmed to the Chinese Government, American interest in

<sup>34</sup> British Secretary of State for Foreign Affairs.

currency measures. The old consortium have asked for and obtained six months' extension of the currency loan option.

TENNEY

893.51/2503 : Telegram

*The Secretary of State to the Ambassador in Japan (Morris)*<sup>35</sup>

WASHINGTON, November 11, 1919, 5 p.m.

Your October 27, 11 p.m.<sup>36</sup>

It is desired that you take early occasion to say to the Foreign Office that this Government and the American Group have for more than a year been seeking the coöperation of Japanese financial interests in the improvement of administrative and economic conditions in China upon terms which should conserve the existing and recognized interests of all the powers concerned and to the consummation of the plan for the proposed Consortium all other American endeavors in China have been subordinated. A plan for coöperation on a basis acceptable alike to all the financial interests involved and to their Governments seemed to be on the point of realization in May last when the Japanese Government through its Group interposed a new condition which appeared irrelevant to the purposes of the Consortium and which the British French and American Governments have had occasion to advise the Japanese Government that they consider inadmissible. During almost six months that have elapsed since the Japanese Government thus made the plan of international coöperation in China contingent upon an extraneous political claim the situation in China has developed towards a crisis. The withholding of funds by the nationals of the powers interested in forming the Consortium—a measure adopted by tacit consent in order to maintain the *status quo* until the arrangements for international coöperation had received unanimous approval—acquired with the lapse of time a new character, becoming an active force impelling the Chinese Government towards a decision which would inevitably bring about a radical change in that status. As is doubtless known to the Japanese Government the several branches of the Chinese administration have incurred several months' indebtedness; in particular the pay of the troops is at least three months in arrears; local mutinies have occurred and there has been ample evidence of the danger of such widespread disaffection as would jeopardize the very existence of the Chinese Governmental entity. The financial

<sup>35</sup> See last paragraph for instructions to repeat to Peking. The same telegram, except for the last paragraph, sent as No. 6174, Nov. 11, to the Ambassador in Great Britain for his information and guidance, and with instructions to "Repeat to Embassy, Paris, as No. 9243, for information and for reference to Mr. Long and Marshall."

<sup>36</sup> *Ante*, p. 529.

stringency has been such that with the approach of the traditional autumn settling day the Government has found itself confronted with the dilemma that either it must risk a revolt of the troops and the consequent disintegration of governmental authority or must find money upon any terms on which it might prove available—the best terms in prospect being those which involved the conceding of political claims in regard to Manchuria and Mongolia. The reality and imminence of the danger with which China was thus confronted were fully evidenced by the Japanese Minister at Peking who on October 3 advised the American Chargé d’Affaires of the seriousness with which he viewed the situation and indicated that should the old consortium not find it feasible to make a loan for the relief of the impending crisis it would be necessary for Japan independently to supply funds for the purpose of averting it.

Under these circumstances and in view of the apparent deadlock in the negotiations for financial coöperation the American Government felt that the moral responsibilities resulting from its advocacy of the proposed consortium precluded it from standing in the way of an advance of funds which would enable the Chinese Government to meet the crisis while holding open the possibility of organizing the consortium. It therefore gave its approval to the proposed Chicago Bank loan upon the terms indicated in its telegram of October 22, 5 p.m.,<sup>37</sup> which contemplated the possibility that the rights of the Chicago Bank might be taken over by the Consortium as a basis for such international coöperation as this Government has consistently desired.

The British Government has however urged that an immediate loan of say £5,000,000 should be made to the Chinese Government by the banking groups of the United States, Great Britain, France and Japan without prejudice to the discussions now proceeding in regard to the formation of the new Consortium; and in deference to the views of the British Foreign Office this Government has assented to its proposal in the terms of an exchange of notes which is being separately telegraphed to you through the Legation at Peking and has meanwhile requested the Chicago Bank to withhold at least temporarily its confirmation of the contract for the loan of \$30,000,000 and to proceed only to the flotation of the smaller loan of which the Department advised you in its telegram of October 11, noon.<sup>38</sup>

It is hoped that on the basis of the British proposal it may be possible in the near future to effect a working coöperation among the financial interests concerned, if only for the temporary and limited purpose of affording the Chinese Government the means of

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<sup>37</sup> *Ante*, p. 527.

<sup>38</sup> See footnote 20, p. 524.

meeting its present financial crisis and averting the necessity of its taking such steps as would essentially alter the *status quo*. While assenting to this provisional procedure suggested by the British Government the American Government is hopeful that the Japanese Government may hereafter see fit to allow the Japanese Group to complete the formation of the Consortium upon the understanding suggested in the reply which the Department made on October 29th [28th]<sup>39</sup> to the Japanese Embassy's memorandum of August 27th.<sup>40</sup>

Repeat to Peking without delay.

LANSING

893.51/2533 : Telegram

*The Secretary of State to the Chargé in China (Tenney)*<sup>41</sup>

WASHINGTON, November 11, 1919, 6 p.m.

This Government has learned with disappointment from the Chicago Bank that on the eve of flotation of the proposed \$30,000,000 loan the Chinese Government brought into question the assignment of salt surplus as security for that loan under Article 3 of the contract signed October 20th. The uncertainty and prospect of delay thus interposed have proved acutely embarrassing to this Government which in appreciation of the apparently urgent necessities of the Chinese Government had considered that the emergency warranted it in waiving its previous insistence upon the principle that the financing of China should be undertaken only by an international consortium. Any delay introduced by the Chinese Government itself tends to invalidate the reasons justifying such a departure from the policy thus far followed by this Government in concert with Great Britain, France and Japan in regard to financial assistance to China.

In these circumstances this Government has felt it proper to request the Chicago Bank to withhold at least temporarily its confirmation of the contract of October 20th for a loan of \$30,000,000 and to proceed only to the issue of the smaller loan for \$5,000,000 [*sic*] which was the subject of the Department's telegram of October 11, noon,<sup>42</sup> and to assent to a suggestion of the British Government that an effort be made to bring about an immediate advance of approximately £5,000,000 to the Chinese Government by the banking groups of the United States, Great Britain, France and Japan without prejudice to the discussions now in progress in regard to the formation of the new consortium.

<sup>39</sup> *Ante*, p. 497.

<sup>40</sup> *Ante*, p. 480.

<sup>41</sup> See last paragraph for instruction to repeat to Tokyo.

<sup>42</sup> Not printed.



The following is the substance of a note from the British Embassy here dated November 8th: <sup>43</sup>

The following is the text of the Department's reply of today: <sup>44</sup>

You will take early occasion to advise the Chinese Government orally of the purport of this instruction, with an expression of this Government's regret that the question raised by the Chinese Government has created a situation in which this Government has found itself constrained to reconsider its approval of the Chicago loan contract of October 20th.

Repeat this telegram without delay to the Embassy at Tokyo which is being instructed to repeat for your information a telegram dated November 11, 5 p.m., on this subject.

LANSING

893.51/2533

*The Secretary of State to the British Appointed Ambassador  
(Grey)*

WASHINGTON, November 11, 1919.

EXCELLENCY: I have the honor to acknowledge the receipt of the note (No. 812) of the 8th instant in which Your Excellency, in reference to communications made to you in behalf of this Department on the subject of loans to China, conveys an expression of the satisfaction of the British Minister for Foreign Affairs that the independent loan by the Chicago Continental and Commercial Trust and Savings Bank has been abandoned and that the United States Government is prepared to adopt the proposal put forward by the British Government for an immediate advance by the Four Powers without prejudice.

I have taken pleasure in communicating to the American Group the terms of this proposal as embodied in your note, with an expression of this Government's hope that the Group may find it feasible to arrange for cooperation with the several other national groups upon the terms so indicated; and in the confidence that such cooperation may be arranged I am directing the American Ambassadors in Paris and Tokyo to support the proposals of the British Government.

I venture to hope that this adoption by the American Government of the proposals made by the British Government may make it possible to effect without undue delay a combination of the financial interests concerned, if only for the temporary and limited purpose of affording to the Chinese Government the means of meeting its

<sup>43</sup> See p. 533.

<sup>44</sup> See *infra*.

present financial crisis and averting the necessity of its taking such steps as would essentially alter the *status quo*.

There is enclosed herewith for your information a copy of the telegram in which I am advising the Japanese Government, through the American Embassy at Tokyo, of the action taken by this Government in response to the suggestion of the British Government.<sup>45</sup>

Accept [etc.]

ROBERT LANSING

893.51/2548 : Telegram

*The Ambassador in Japan (Morris) to the Secretary of State*

TOKYO, November 19, 1919, 5 p.m.

[Received November 19, 11.05 a.m.]

Owing to the illness of the Minister of Foreign Affairs I communicated the contents of your November 11, 5 p.m. to the Vice Minister of Foreign Affairs. He told me that in principle the Japanese Government approved of the British suggestion of a temporary four power loan but thought some of the conditions imposed were impracticable. He said he would send me a copy of the memorandum to the British Minister here which fully explained the attitude of the Japanese Government.

2. Assume the Department has been informed through British sources of the contents of this memorandum and will therefore not telegraph it unless instructed.

Referring to the proposed plan of the consortium, the Vice Minister expressed his opinion that the difference between our Governments did not appear to him to be fundamental and he expressed the hope that he might have an opportunity shortly to discuss the subject with me in a purely personal way.

MORRIS

893.51/2550 : Telegram

*The Chargé in China (Tenney) to the Secretary of State*

PEKING, November 20, 1919, 10 p.m.

[Received November 21, 2.12 a.m.]

Referring to Department's telegram of November 11, 6 p.m. As Hsu En-yuan on October 30th received a communication from Abbott announcing cancellation of the loan, with the reasons therefor, I did not elaborate to the Chinese Government the reasons given in Department's telegram for the stoppage of the Chicago Bank loan negotiation, but only announced to the Chinese Government that the Department has decided to advise the substitution for the Chicago loan of a loan of about pounds sterling five million to be made by

<sup>45</sup> Telegram of Nov. 11, 5 p.m., p. 535.

the American, British, French and Japanese groups jointly. I have now received the following letter addressed Honorable Charles D. Tenney, Charge d'Affaires of the United States of America, American Legation at Peking. China Government's November 19th, 1919.

"Sir: Mr. Galen L. Stone, of Hayden, Stone and Company, Albert H. Wiggin, Chairman of the Board of Directors of the Chase National Bank, and the undersigned left Vancouver on October 30th, in company with the Honorable Hsu En-yuan. Just before our departure Vancouver Mr. Hsu received a telegram from Mr. John Jay Abbott, Vice President of the Continental and Commercial Trust and Savings Bank of Chicago, to the effect that the bank had decided not to approve the loan agreement of October 20th which he had entered into on behalf of the bank with the Government of the Republic of China and that the bank was holding the contract subject to the orders of the Chinese Government. The reasons given by Mr. Abbott for this action of the bank were, first, the extremely unsatisfactory condition of the American investment market, due to the poor reception given to the \$250,000,000 loan of Great Britain; and second, a message received from the Chinese Legation at Washington, that the pledge of the salt surplus might cause the Chinese Government embarrassment, and an offer from them to substitute the goods tax as an alternative.

Aware of the long series of failures attending negotiations for Chinese-American financing, and with large present and prospective interests in the development of Chinese commerce and industry, we were at once very deeply concerned over this new, disappointing development. It seemed to us that it might at once cap the climax and render exceedingly difficult a resumption of similar negotiations on the part of Americans at any time through a long future. Consequently we felt that we should take such action as possible to give effect to the arrangements made by the Honorable Hsu En-yuan with the Chicago Bank, and, as a result of negotiations which we carried on with Mr. Hsu, the Pacific Development Corporation has entered into a contract with the Republic of China, executed by the undersigned as President of the Pacific Development Corporation, and by the Honorable Hsu En-yuan, acting under special authorization from the Cabinet and the Minister of Finance of the Republic of China, under the terms of which the Pacific Development Corporation is accepted by the Chinese Government as the successor to the Continental and Commercial Trust and Savings Bank of Chicago, and has agreed to arrange an immediate loan of \$5,000,000, with an option for an additional loan or loans of \$20,000,000, to be secured by the revenues of the Wine and Tobacco Administration and carrying with it the appointment of Associate Inspector General of that administration.

Respectfully,

Pacific Development Corporation.  
By Edward B. Bruce, President.

I await instructions as to the attitude of the Legation. Please send copy of the above letter to New York office of Pacific Development Corporation.

TENNEY

893.51/2553 : Telegram

*The Chargé in China (Tenney) to the Secretary of State*

PEKING, November 24, 1919, 6 p.m.

[Received November 24, 1.30 p.m.]

Legation's November 20, 10 p.m. The Japanese are endeavoring to block any American loan by an offer of a loan of 260,000,000 yen on the securities of the wine and tobacco revenues. I will telegraph further developments.

TENNEY

893.51/2559 : Telegram

*The Chargé in China (Tenney) to the Secretary of State*

PEKING, November 26, 1919, 6 p.m.

[Received November 26, 11.41 a.m.]

Referring to my telegram of November 20, 10 p.m. The loan agreement has been signed and the money turned over: Japanese offer rejected.

Premier has given me letter of greeting to Mr. Lansing expressing hope of closer future relations between the United States and China. Will forward letter by the next pouch.

TENNEY

893.51/2559 : Telegram

*The Secretary of State to the Ambassador in Japan (Morris)<sup>46</sup>*

WASHINGTON, November 29, 1919, 1 p.m.

The Legation at Peking has advised the Department that the Pacific Development Corporation has entered into a contract with the Chinese Government by which that Corporation is to arrange an immediate loan of \$5,000,000 with an option for an additional loan or loans of \$20,000,000 by subrogation to the rights of the Chicago Bank under the terms of the loan contract of October 20th (as communicated to you by the Department's telegram of October 22, 5 p.m.<sup>47</sup>)

The negotiations for this contract have been carried on by this American Corporation without the knowledge or approval of the Government of the United States. In view of the acceptance by the Government of the United States of the British proposal for a further effort to arrange an immediate advance by coöperation among the groups of the four interested Powers pending the formation of

<sup>46</sup> See last sentence for instructions to repeat to Peking. The same telegram, except for the last sentence, sent Nov. 29, 4 p.m., to the Ambassador in Great Britain (No. 6227), with instructions to communicate to the Foreign Office and "Repeat to Paris for similar communication to the French Foreign Office."

<sup>47</sup> See footnote 24, p. 527.

an international consortium (as explained in the Department's telegram of November 11, 6 p.m.<sup>47</sup>) this Government feels obligated under present circumstances to withhold diplomatic support of this transaction.

It is desired that you take occasion to explain informally to the Japanese Foreign Office the situation created by the independent action of this American Corporation and state that this Government will not lend its support thereto unless it should prove impossible to avert the impending financial crisis in China by the joint action which the British Government has suggested and which this Government heartily supports. In communicating this to the appropriate officials of the Japanese Foreign Office you will of course make it clear that the contract entered into by the Pacific Development Corporation is a further evidence of the growing interest of American financiers in the situation in China such as this Government would not be in a position to restrain or circumscribe save in the interests of the broad international policy represented by the proposed consortium and that should this Government be forced to the conclusion that it must abandon hope of realization of that purpose it would have no alternative but to withdraw its present restrictions upon the initiative of American financial interests seeking an outlet in China. Such a condition is not desired by this Government which still earnestly hopes for the attainment of international financial coöperation in the rehabilitation of China: but the Department feels and desires you to impress upon the Foreign Office that the insistence of the Japanese Government upon holding aloof from such coöperation upon the equal terms contemplated by the consortium is tending to force an issue which this Government is for its part most anxious to avoid.

Repeat to Peking without delay for its confidential information and guidance.

LANSING

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893.51/2567 : Telegram

*The Ambassador in Japan (Morris) to the Secretary of State*

TOKYO, December 2, 1919, 7 p.m.

[Received December 3, 11 a.m.]

Your November 29, 1 p.m. The following is the substance of the British proposals as contained in Mr. Alston's<sup>48</sup> memorandum to the Japanese Government dated October 9:

"1. That the Japanese, British, American and French groups should, with the official support of their Governments, and without

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<sup>47</sup> See footnote 41, p. 537.

<sup>48</sup> Sir Bellby Francis Alston, British Minister in Japan.

delay, make an immediate loan (not exceeding £5,000,000 sterling) to China.

2. That it should be made without prejudice to the conditions which may be basis of future loans or to discussions now proceeding respecting the exclusion from the scope of the consortium of specific areas.

3. That the loan should be secured on the demand [*surplus?*] of salt revenue and be applied solely to meeting the urgent needs of China.

4. That two conditions would be attached to the loan, namely (a) that the negotiations between the Northern and Southern parties should be resumed without delay; and (b) that a large number of unnecessary troops should be disbanded, including those of the War Participation Bureau and those raised for the purpose of the expedition into Mongolia.

5. That the four Governments and the four groups should control the proceeds of the loan and the disbandment of the troops in question."

The following is the reply of Viscount Uchida,<sup>49</sup> dated October 11th.<sup>50</sup>

"The Imperial Government are in receipt of the British Minister's memorandum dated October 9th, 1919 on the subject of financial assistance to China. According to their memorandum, it appears to be the intention of the British Government to submit later certain proposals to the Governments concerned on this subject. The Imperial Government, however, consider it useful to give expression to their views at this juncture upon the substance of the proposals of the British Government.

The Japanese Foreign Minister is happy to be able to reply that the purport of the proposals set forth in the British Minister's memorandum under acknowledgment is in substantial agreement with the plan now under contemplation by the Imperial Government. As regards, however, the two points enumerated in [*sub-head?*] (b) of paragraph 4 and in paragraph 5 of the said proposals, namely (1) that a large number of unnecessary troops should be disbanded including those of the War Participation Bureau and those raised for the purpose of the expedition into Mongolia and (2) that the four Governments and four groups should control the disbandment of the troops in question, Viscount Uchida desires to offer the following observations:

While it is believed that these two points have been overcome [*introduced?*] out of sympathetic consideration for the interests of China and that, in the future course of development of affairs in China, circumstances may arise in which the powers concerned may be obliged to give serious consideration to the question of the disbandment of troops and the control of the process, the proposition to make the disbandment of troops and its control a condition of the projected loan to China does not seem to the Imperial Government either to be reconcilable with the policy embodied in the joint repre-

<sup>49</sup> Japanese Minister for Foreign Affairs.

<sup>50</sup> The quotation is not the whole text of the memorandum.

sentation made by the five Powers on December 1 [2] last year to leaders of the North and South of China<sup>50</sup> or to be free from the charge of intervention in China's domestic affairs. It is in fact stated in the terms of the said representation that 'in taking occasion to express their earnest sympathy with the efforts of both sides to achieve a solution of the difficulties that have hitherto divided them, the Governments of France, Great Britain, Italy, Japan and the United States desire to make clear that in so doing, they have in contemplation no intervention.' Questions such as the disbandment of the war participation army are most assuredly among the thorny problems with which the peace conference of the North and South is confronted, and in the face of the unmistakable terms in which the five Governments declared that they then had no intention of interfering with the proceedings of the conference, the Imperial Government find it difficult to signify their readiness to concur in the proposal departing from that declaration on account of the present loan question. Moreover, when reduced to a practical issue, the disbandment of troops necessarily involves the expenditure of a considerable amount of money. The number of so-called necessary troops is not known to the Imperial Government, but [it] is reckoned that a huge sum would be required in order to effect such disbandment. Assuming that the proposal now under review for a loan of not exceeding £5,000,000 was based upon the proposed loan of \$24,000,000, which in response to the request of the Chinese Government is now being considered by the four groups, it would be abundantly clear that such a loan would leave no margin available for the purpose of the disbandment of troops. In these circumstances, it is hoped that the British Government would submit this particular point to their further consideration."

MORRIS

893.51/2567: Telegram

*The Secretary of State to the Chargé in China (Tenney)*

WASHINGTON, December 4, 1919, 4 p.m.

Your December 2, 8 [5] p.m.<sup>51</sup>

As you are aware from the Department's telegram of November 29, 1 p.m.,<sup>52</sup> forwarded to you confidentially through Tokyo this Government is not prepared at this time to give its support to the Pacific Development Corporation loan. The Department is confidentially advised that neither the American Group nor the Chase National Bank is interested in the loan and that there appears to exist some doubt as to the ability of the Pacific Corporation to finance this loan.

LANSING

<sup>50</sup> *Foreign Relations*, 1918, p. 134.

<sup>52</sup> See footnote 46, p. 541.

<sup>51</sup> Not printed.

893.51/2570 : Telegram

*The Ambassador in Japan (Morris) to the Secretary of State*

Tokyo, December 8, 1919, 4 p.m.

[Received December 8, 9.39 a.m.]

My British colleague today received from the Japanese Foreign Office a confidential memorandum in regard to the emergency loan of £5,000,000 to China which states that:

"the Japanese Government would consider it advisable to refrain from including the disbandment of troops in the conditions of the loan in question and instead to offer advice to China to disband her troops gradually of her own accord following the precedent set by the presidential decree of November 22 last by which a 20 per cent reduction from Chinese troops was publicly announced".

The memorandum concludes as follows:

"The Japanese Government therefore cannot but express the hope that the projected loan which is intended to meet the exigencies of the present situation may see its speedy conclusion without being delayed on account of the negotiations with the Chinese Government on the subject of disbandment of their troops."

My British colleague, who has recently been appointed British Minister to China, tells me that he intends to advise his Government that it should not press this question of disbandment as a necessary condition of (Chinese?)<sup>53</sup> emergency loan.

MORRIS

893.51/2573 : Telegram

*The Chargé in China (Tenney) to the Secretary of State*

PEKING, December 9, 1919, 4 p.m.

[Received December 9, 3 p.m.]

Referring to Department's telegram of December 8 [4], 4 p.m. I informed bankers on their arrival the Legation could not support loan without instructions from the Department. Bankers decided to go ahead without waiting for approval of the Department. The Chinese Minister of Finance informs me that the five million has already been paid by Pacific Development Corporation. Reorganization of Wine and Tobacco Administration is understood to be proceeding according to the terms of the loan agreement.

TENNEY

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<sup>53</sup> Later corrected to "this."



893.51/2576a : Telegram

*The Secretary of State to the Chargé in China (Tenney)*

WASHINGTON, December 10, 1919, 2 p.m.

It is apprehended that in connection with the loan project of the Pacific Development Corporation the Legation may not fully have understood the attitude of the Department in regard to the question of financial assistance to China.

Representatives of that Corporation now in Peking report to their principals that they are proceeding with the proposed loan to China apparently with the knowledge and encouragement of the Legation. Your attention is called to Department's November 29, 1 p.m., through Tokyo.<sup>55</sup>

LANSING

893.51/2574 : Telegram

*The Ambassador in Great Britain (Davis) to the Secretary of State*

LONDON, December 10, 1919, 6 p.m.

[Received 8.22 p.m.]

3513. Your 6227 November 29, 4 p.m.<sup>56</sup> and my 3491 December 4, 3 p.m.<sup>57</sup> Foreign Office in noting that United States Government are withholding their support from contract entered into with Chinese Government by Pacific Development Corporation in view of acceptance of proposal put forward by British Government for immediate advance to Chinese Government by the four groups, assures me in note received today that British Government is doing everything in its power to hasten arrangements for carrying that proposal into effect and also to induce Japanese Government to authorize its group to enter the consortium on equal terms with the other members.

Repeated to American Embassy, Paris.

DAVIS

893.51/2570 : Telegram

*The Secretary of State to the Ambassador in Japan (Morris)*

WASHINGTON, December 11, 1919, 5 p.m.

Your December 8, 4 p.m. Matter has been referred to American Group for discussion and you will be advised decision reached. Repeat to Peking together with your telegram on the subject and request Legation to cable Department full text of Presidential decree of November 22.

LANSING

<sup>55</sup> *Ante*, p. 541.<sup>56</sup> See footnote 46, p. 541.<sup>57</sup> Not printed.

893.51/2570 : Telegram

*The Secretary of State to the Ambassador in Great Britain (Davis)*

WASHINGTON, December 11, 1919, 5 p.m.

6264. Following telegram of December 8, 4 p.m., from Tokyo :

[Here follows text of telegram printed on page 545.]

Department has referred matter to American Group and will advise later decision reached. We are practically recommending acceptance of the suggestion.

Repeat to Paris as No. 9313.

LANSING

893.51/2578 : Telegram

*The Chargé in China (Tenney) to the Secretary of State*

PEKING, December 12, 1919, 4 p.m.

[Received December 12, 10.45 a.m.]

Referring to Department's telegram of December 10, 2 p.m. Legation informed bankers that the loan did not receive support of the United States Government and has held entirely aloof from the negotiations.

TENNEY

893.51/2584 : Telegram

*The Chargé in China (Tenney) to the Secretary of State*

PEKING, December 18, 1919, 6 p.m.

[Received December 18, 10.32 a.m.]

According to an article of the Pacific Development Company's loan agreement, the Wine and Tobacco Bureau is to be reorganized with an American [co-director] general. The French Minister has protested and demands that no reorganization shall be undertaken except under French supervision. Am I authorized to support the American appointment thereby dissociating this from the loan question? I regard this matter as of vital importance to American prestige in China and ask an early reply.

TENNEY

893.51/2586 : Telegram

*The Ambassador in Great Britain (Davis) to the Secretary of State*

LONDON, December 19, 1919, 2 p.m.

[Received December 19, 2.12 p.m.]

3561. Your 6264, December 11, 5 p.m. Foreign Office has received similar advices from Tokyo. Although withdrawal of Japa-

nese reservations, for which it continues to press as hitherto reported, introduces [*sic*] *sine qua non* of the proposed loan, the Foreign Office is inclined to consider disbandment of Chinese troops as relatively unimportant especially if elimination of reservations be secured but informs me that the French are strongly inclined to press for disbandment, the first point on which they have assumed so positive a stand.

Paris informed.

DAVIS

893.51/2588

*The British Appointed Ambassador (Grey) to the Secretary of State*

No. 899

WASHINGTON, December 20, 1919.

SIR: I did not fail to communicate to my Government the substance of the telegram from the State Department to the United States Embassy at Tokyo,<sup>58</sup> which was enclosed in your note of December 3rd,<sup>59</sup> on the subject of the attitude of the United States Government towards the loan contract recently entered into between the Chinese Government and the Pacific Development Corporation, an American Company.

I have now received a telegram from my Government stating that they are still pressing the Japanese Government to fall into line with the other Powers for an immediate advance of £5,000,000 to China.

I am at the same time directed to intimate to you that His Majesty's Minister at Peking does not consider that China's need for money is so pressing at the moment as to justify an independent loan on the part of any one of the four Powers.

I have [etc.]

(For H. M. Ambassador)

R. C. LINDSAY

893.51/2584 : Telegram

*The Secretary of State to the Chargé in China (Tenney)*

WASHINGTON, December 20, 1919, 4 p.m.

Your December 18, 6 p.m.

The Department concurs in the view of the Legation that the right of the Chinese Government to entrust to Americans the reorganization of the Wine and Tobacco revenues is not dependent upon the terms of any agreement and you are therefore authorized to support the appointment as being in the interest of America without specific

<sup>58</sup> *Ante*, p. 541.

<sup>59</sup> Not printed.

reference to the contract of the Pacific Development Corporation. Inquiry is being made through the Embassy at Paris as to the grounds upon which the French protest is based.

Repeat to Tokyo for its information your December 18, 6 p.m., and the present reply.

LANSING

893.51/2584 : Telegram

*The Secretary of State to the Ambassador in France (Wallace)*

WASHINGTON, December 20, 1919, 4 p.m.

9387. C. L. L. Williams, formerly of our consular service in China, was recently appointed by the Chinese Government as foreign co-director of the Wine and Tobacco Revenue. Peking Legation now telegraphs as follows:

[Here follows telegram of December 18, 6 p.m., from the Chargé in China, printed on page 547.]

The Department is replying in substance:

[Here follows substance of telegram of December 20, 4 p.m., to the Chargé in China, printed *supra*.]

The Department is aware that there exist certain liens upon the proceeds of the wine and tobacco revenues of China as securities for loans made by the Banque de l'Indo-Chine and the Banque Industrielle de Chine but is at a loss to understand upon what basis the French Government claims a right of supervision over any reorganization of the administration of these revenues.

You will please inquire of the Foreign Office whether it is by its direction that the French Minister at Peking has protested against the appointment of Williams and if so upon what grounds. You will make it clear that this Government supports the appointment of an American not as a matter of contractual right derived from the Pacific Development Corporation loan agreement (from which this Government has withheld its approval as indicated in Department's November 29, 4 p.m.<sup>60</sup>) but as a matter of the Chinese Government's freedom to avail itself of American assistance in the reorganization of this source of revenue as it avails itself of other foreign assistance in various branches of its administration—notably in the case of the postal service which is under French supervision and the Maritime Customs and Salt Administration which are under the supervision of British chiefs with assistants of French and other nationalities.

LANSING

<sup>60</sup> See footnote 46, p. 541.

893.51/2587 : Telegram

*The Ambassador in Japan (Morris) to the Secretary of State*

TOKYO, December 20, 1919, 6 p.m.

[Received 6.55 p.m.]

Your November 29, 1 p.m.<sup>61</sup> reached me on December 3rd and the following day I communicated orally to the Minister for Foreign Affairs the information contained in your telegram and stated that our Government would not lend its support to the proposal of the Pacific Development Company unless it should prove impossible to avert the impending crisis in China by the joint action which the British Government has suggested. Since then I have had no further information in regard to this loan though newspaper reports from Peking indicate that the contract is in process of being carried out. These reports have apparently been confirmed by the Japanese Foreign Office which forwarded to me yesterday the following memorandum:

"The Department of Foreign Affairs present their compliments to His Excellency the American Ambassador and have the honor to recall to His Excellency's recollection that on the 4th instant he took occasion to inform the Minister for Foreign Affairs, as in obedience to instructions from his Government, that a contract for a loan of \$25,000,000 has been concluded between the Government of China and the Pacific Development Corporation of America, \$5,000,000 of the amount to be handed over at once to the Chinese Government, and the remaining \$20,000,000 to be delivered later, but that the American Government had refused approval to the contract.

According to information subsequently reaching the Imperial Government, the amount of the first part payment of the loan in question by the Pacific Development Corporation was \$5,500,000, which has already been handed over to the Chinese Government in America, the latter to receive another \$5,000,000 in January 1920, and the remainder of the loan in the following four months. If this information be correctly founded, the Japanese Government, in view of the priority possessed by the present loan consortium in political loans, and of the loan negotiations pending between the American group and the consortium, as well as of the policy of concord and cooperation among the powers concerned in regard to the question of financial aid to China, will feel called upon to consider the steps which may be judged necessary to be taken. In these circumstances, the Japanese Government will be exceedingly glad to learn from His Excellency the American Ambassador whether there be any point at variance with fact in the aforementioned information in their hands.

In the event of the Pacific Development Corporation loan contract being, after all, actually carried into execution, the Japanese Gov-

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<sup>61</sup> *Ante*, p. 541.

ernment will, nevertheless, rest persuaded, on the strength of the aforementioned information received from the American Ambassador, that this does not mean that the American Government has given its approval to the loan. At the same time the Japanese Government are keenly desirous to be informed of what steps the American Government intends to take with regard to the loan, thus carried into actual execution without its approval. Tokyo December 19th, 1919."

I shall await further information and instructions from you before replying to this memorandum.

MORRIS

893.51/2595

*The French Ambassador (Jusserand) to the Secretary of State*

[Translation]

WASHINGTON, December 22, 1919.

MR. SECRETARY OF STATE: It appears from reports that have reached my Government that American bankers have taken up the matter of a 30 million loan to China that had been dropped by the Abbott group. It is said that the revenues derived from alcohol and tobacco would be taken as security for the loan and that a reorganization thereof would be entrusted to an international department under American management. It is even said that the contract may have already been signed.

My Government wishes me to remind Your Excellency of our views on the subject which may be summed up as follows:

1. As the American Government undoubtedly knows, we wish, on account of the international interest that attaches to the arrangement, that the advances and loans to China be in the exclusive charge of the institutions in the Consortium partnership.

2. The influence possessed in Peking by the United States Government should, we believe, make it easy for the American Minister to China to induce the Chinese Government to ignore offers from institutions that do not belong to the Consortium.

3. It cannot be denied that the taxes on alcohol and tobacco constitute, in any event, the first mortgage of the loan floated in 1913 [1914?] by the Industrial Bank.<sup>62</sup> It therefore seems to us that our countrymen have a right to ask when the internal revenue service is reorganized to have a part commensurate to their interests and, in particular, the administrative direction of the service, assigned to them.

The Minister of Foreign Affairs of the Republic realized, as fully as Your Excellency, the advantages of an active Franco American

<sup>62</sup> See *Foreign Relations*, 1916, pp. 143-144.

collaboration in the Far East. He therefore believes it would be beneficial, in the process of reorganization, to assign to American specialists the technical management, mainly because of the experience gained by the American Tobacco Company's representative in China.

In my Government's opinion the above suggested arrangement would be practical and equitable, as taking into consideration the various interests involved. From a practical standpoint the American Government will doubtless take the position that the prohibition law recently enacted in the United States would make it preferable to entrust a Frenchman rather than an American with the executive collection of taxes on two staples, one of which is alcohol.

Be pleased [etc.]

JUSSERAND

893.51/2587 : Telegram

*The Secretary of State to the Ambassador in Japan (Morris)*

WASHINGTON, December 23, 1919, 6 p.m.

Your December 20, 6 p.m. In response you will please say:

"The Government of the United States has withheld diplomatic support from the loan of the Pacific Development Corporation and is still withholding such support though the information comes to the United States Government that the parties to the contract are proceeding to execute it notwithstanding that position. The Government of Japan will realize the United States Government is powerless to prevent and would be loath to interfere with the activities of its citizens abroad unless the consortium should be organized. The United States Government has guaranteed to the American Group in the proposed international consortium complete and exclusive diplomatic support, but unfortunately, it seems to the Government of the United States, the consortium has not yet been organized and until it is in operation the American Group will not be in a position [to] avail itself of the promised support.

In the meantime the Government of the United States has done all within its power to effect an accommodation between the three other Powers concerned with the consortium. Of these Powers England and France are in perfect accord with the United States while the Government of Japan alone seems to have been unable to agree entirely.

The United States Government must in all frankness say that unless the consortium will be organized it will not be justified in withholding diplomatic support from the individual efforts of American citizens abroad, whether in China or elsewhere. On the contrary the United States Government will feel that its citizens have a right to expect from it full diplomatic support when engaged in proper activities.

The United States Government is keenly sensible to the embarrassing circumstances this situation may develop and desires to remind the Government of Japan that one of the objects of the consortium

is to replace the uncontrolled activities of individual enterprise in China by a cooperative organization in which the citizens of the four powers most interested in China will join in a spirit of friendliness which can be such a potent factor for the welfare of China and for the good relations of the four powers concerned.

The United States Government has been entirely frank in its professions to the Government of Japan and fully realizes the Government of Japan is cognizant of that fact and well aware that the present situation has developed in spite of the efforts of the United States Government and certainly not because of them.

Further the hope can only be expressed that the Government of Japan will in the near future indicate its adherence to the consortium proposals. In that case the United States Government will be in a position to act with some degree of authority over the activity of its citizens in financial matters in China and will be able, it is certainly expected, to direct the loan of the Pacific Development Corporation through the American Group into the Consortium."

LANSING

893.51/2591 : Telegram

*The Ambassador in Japan (Morris) to the Secretary of State*

TOKYO, December 25, 1919, 1 p.m.

[Received December 25, 7 a.m.]

Supplementing my December 20, 6 p.m. My British colleague informs me that, following further representation made in behalf of his Government on December 20, the Japanese Government today handed him a memorandum dated December 23 which states that the Japanese Government now feels itself in accord with the British Government in view of the fact that the British Government agrees, first, that the disbandment of the Chinese troops should be gradual and, second, that the disbandment of the Southern troops should follow that of the Northern troops. The memorandum further states that the Japanese Government believes that it has made quite clear in previous communications that it is at one with the other powers as to the advisability of the disbandment of unnecessary troops in China. It still maintains however that to prescribe just what troops should be disbanded would constitute an interference in China's domestic affairs. Therefore it would wish to avoid any specific designation and trusts and believes that the British Government is in accord with this view.

The Japanese Government therefore, after a careful consideration and after observing that three other powers are already agreed in principle, have decided to agree to disbandment as [a] condition of the urgent emergency loan advocated by the British Government. At the same time it refrains from adhering to the view of the French Government that disbandment should be first charge on the



fund, as such a view contrary to the spirit animating the powers in their desire to rescue the Chinese Government in this emergency.

MORRIS

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893.51/2598a : Telegram

*The Acting Secretary of State to the Ambassador in France  
(Wallace)*

[Extract]

WASHINGTON, December 27, 1919, 8 p.m.

9441. French apparently unwilling to proceed with \$25,000,000 four power loan to China unless disbandment of certain troops appears as condition precedent. England has agreed with us and we are just advised Japan agrees with England. Please cable why French Government takes this attitude. . . .

POLK

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893.51/2594 : Telegram

*The Ambassador in Japan (Morris) to the Secretary of State*

TOKYO, December 28, 1919, 11 a.m.

[Received December 28, 3.24 a.m.]

Your December 23, 6 p.m. I delivered in the form of a memorandum to the Minister for Foreign Affairs this afternoon.<sup>63</sup> He then told me of the contents of the note which he had delivered to my British colleague and the substance of which I telegraphed the Department in my telegram December 25, 1 p.m. He remarked that perhaps the members of the old consortium would file objections with the Chinese Government to the [garbled group] Pacific Development Company contract, and at the same time the new emergency loan of £5,000,000, as now agreed to, might be offered as a substitute.

In regard to the proposed new consortium he told me that he was still endeavoring to find some formula which would protect Japan's vital interests in Manchuria and Mongolia and also meet the views of the other Governments.

MORRIS

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893.51/2601

*The British Chargé (Lindsay) to the Secretary of State*

No. 917

WASHINGTON, December 31, 1919.

SIR: With reference to Lord Grey's note No. 899 of the 20th instant, I have the honour to inform you, by direction of my Government that the Japanese Government now agree with the views of His Majesty's Government as to the gradual nature of the disband-

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<sup>63</sup> Afternoon of Dec. 27; this telegram was apparently drafted on Dec. 27 but not dispatched until the following morning.

ment of the superfluous Chinese Troops, also that a commencement with the disbandment of the North and South is to be made a condition of the loan. They still maintain however that the disbandment must not be subject to any foreign control nor do they share the view of the French Government that disbandment should be made a first charge on the proceeds of the loan.

I am to add that His Majesty's Government are not prepared to press these two latter points and the French Government are being urged to fall into line.

I have [etc.]

R. C. LINDSAY

893.51/2602 : Telegram

*The Ambassador in France (Wallace) to the Secretary of State*

[Extract]

PARIS, January 3, 1920, 11 p.m.

[Received January 3, 8.46 p.m.]

15. Your 9441, December 27. I learn at the Foreign Office that the French Government's contention that the disbandment of troops should be a *sine qua non* to the issuance of the loan has been withdrawn and that it so informed the British Embassy here on December 30th. The French Government, however, will insist that unnecessary troops be disbanded at the earliest possible moment not only by the Northern but also by the Southern factions and proportionally. . . .

WALLACE

893.51/2601

*The Secretary of State to the British Chargé (Lindsay)*

WASHINGTON, January 5, 1920.

SIR: I have the honor to acknowledge the receipt of your note No. 917 of December 31, 1919, regarding a proposed loan to the Chinese Government.

The Department is gratified to learn that the Japanese Government has withdrawn its objection to the loan. In this connection I take pleasure in informing you that I am just in receipt of a telegram from the American Ambassador at Peking [*Paris*] stating that the French Government has withdrawn its contention that the disbandment of the troops should be a *sine qua non* to the issuance of the loan.

There seems now to be no reason why the proposed advance to China should not be made, and the Department is today informing the American Group to this effect.

Accept [etc.]

For the Secretary of State:

BRECKINRIDGE LONG

PROPOSED APPOINTMENT OF A JAPANESE FINANCIAL ADVISER  
TO CHINA

893.51/2095 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, January 16, 1919, 7 p.m.

[Received January 16, 5.51 p.m.]

Your telegram January 3, 11 p.m. [January 4, 2 p.m.]<sup>63</sup> The Ministry of Finance has informed me that the final agreement for engaging Sakatani as currency adviser has not been signed, and that in future if it becomes necessary to conclude a currency loan the American Government will be consulted. The Japanese Minister informed me today that Ambassador Ishii had mentioned this matter to the Secretary of State, who had expressed full agreement. I beg to request immediate information concerning your understanding on this point.

REINSCH

893.51/2101 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, January 22, 1919, 5 p.m.

[Received January 24, 12.43 a.m.]

My telegram of January 16, 7 p.m. Japanese Minister now specifically informs me that in conversation with Ishii May 6 and May 11, 1918, Mr. Lansing stated that the American Government felt only a historical interest in the matter of currency reform in China and that it had no fundamental objection to the appointment of Baron Sakatani as currency adviser; also advised Mr. Lansing consented expressly that Ishii telegraph his Government to that effect.

I hesitate to believe that the Secretary of State should have yielded in an unmodified form and without *quid pro quo* one of the principal interests of America in China, in whose establishment and protection the Legation and leading Americans in China have been concerned for the last fifteen years and which has been guarded with great pains by the Legation under the instructions of October 13, 2 p.m., 1917,<sup>64</sup> accomplishing this in a private conversation of which a record was apparently kept only by the party claiming the advantage. Therefore, I am anxiously awaiting your statement as to the real status of this matter before doing anything to modify the position taken or carefully to retrace the steps taken up to the present for the protection of this American interest. In the absence of information, position is most embarrassing.

REINSCH

<sup>63</sup> *Ante*, p. 421; see also *Foreign Relations*, 1918, p. 162.

<sup>64</sup> *Foreign Relations*, 1917, p. 149.

893.51/2102½

*The Japanese Embassy to the Department of State*

On the 11th of May, 1918, the Secretary of State gave the Japanese Ambassador an assurance to the effect that the Government of the United States would not see any objection in the employment by the Chinese Government of Baron Sakatani as Financial Adviser.

In the course of conversation with the Chinese Minister of Finance on the 14th of January, the Secretary of the Japanese Legation in Peking was given to understand that it would be difficult for the Chinese Government to settle definitely the question of Baron Sakatani's advisership before an understanding was arrived at between China and the United States in that connection.

Dr. Reinsch called on the Japanese Minister on the 16th of January and had a frank exchange of views in regard to the question of currency reform in China. On that occasion, the American Minister told Mr. Obata<sup>65</sup> that he had not been informed by the American Government of the above stated assurance given to the Japanese Ambassador concerning Baron Sakatani's Advisership.

At the request of the Chinese Government, Baron Sakatani is shortly proceeding to Peking where the final agreement with regard to his advisership will be settled.

WASHINGTON, *January 24, 1919.*

893.51/2102 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, *January 24, 1919, 7 p.m.*

[*Received 8.49 p.m.*]

My telegram January 16th, 7 p.m. Minister of Finance informs me that conditions of Sakatani's proposed appointment [omission] rank and salary are that he shall be given a secretariat of his own appointment of experts and clerks to be used in investigating currency matters. It was intimated to me that as the negotiations for retaining Sakatani originated in connection with the advances on the reorganization loan made by Japan and as these advances were now being gradually repaid, that the definite appointment of [foreign?] currency adviser might very well wait until currency loan negotiations have actually been taken up and all parties interested can be consulted. Japanese Minister however is pressing very strongly for the conclusion of the contract with Sakatani, and as he states that the Governments concerned have agreed, the Chinese

<sup>65</sup> Torikichi Obata, Japanese Minister in China.

official[s] could not resist his importunities unless informed that one or more of the powers concerned desire to have this matter settled only after fuller consultation.

REINSCH

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893.51/2103 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, January 28, 1919, 6 p.m.

For your information.

Your January 22, 5 p.m., was referred to Secretary Lansing who replied that he had no recollection of any such conversation as reported by the Japanese Minister in Peking and Embassy in Washington. The Secretary thinks the Department records will show that our instruction to you last spring was in quite a different sense. The reference is probably to the Department's instruction of October 13, 2 p.m., 1917, which stated that "the Department is basing a claim to participation in any currency loan upon the whole history of the project."<sup>68</sup> The question of the appointment of financial adviser was not specifically mentioned and so far as our records show there appears to have been no definite instruction either way on that question since it arose in October, 1917.

Viscount Ishii is now absent from Washington and the Department desires to consult him before proceeding further. The Japanese Embassy here has been so informed and you will be guided accordingly.

POLK

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893.51/2106a : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, January 30, 1919, 6 p.m.

Department's January 28, 6 p.m.

You may intimate to the Chinese authorities and to your British, French and Japanese colleagues that in view of the joint interest of the powers in currency reform and of the definite plans now well under way for the formation of a new International Group, the question of the appointment of a currency or financial adviser should be settled only after fuller consultation by all concerned. The Department feels that it should have exact information as to what the proposed powers of an adviser would be.

POLK

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<sup>68</sup> *Foreign Relations*, 1917, p. 149.

893.51/2132

*Memorandum of the Third Assistant Secretary of State (Long)*[WASHINGTON,] *January 31, 1919.*

The Japanese Ambassador called today and spoke of the conversation he had with Mr. Lansing and the latter's reported agreement to accept Baron Sakatani as Financial Advisor to China. He went into the history of the matter at some length and referred to the conversation he had had with me and to a subsequent conversation on the 11th of May 1918, which he had had with Mr. Lansing and in which he claims Mr. Lansing said that our interest in Currency Reform was "Sentimental" and he gained the impression that we were somewhat disconcerted in not having been consulted and our consent gotten in the matter, but were not inclined to offer an objection. He said that during the same conversation Mr. Lansing told him that there was no objection to the appointment of Sakatani and that when he asked if he might so advise his Government he was expressly told he might. I told him that if the Secretary or I had used the word "Sentimental" as descriptive of our interest in Chinese Currency Reform it was expressive of our very deep, wholesome and sincere interest and should not be construed as meaning a light and frivolous sentimentality. He expressed himself as having been very much surprised when he heard that Mr. Lansing had no recollection of the conversation. I immediately expressed myself as being very much surprised and probably to an equal extent when I had heard that he reported that he had had such a conversation with Mr. Lansing.

He explained that it placed him in a very embarrassing position with his Government.

BRECKINRIDGE LONG

893.51/2108a: Telegram

*The Acting Secretary of State to the Commission to Negotiate Peace*WASHINGTON, *February 5, 1919, 8 p.m.*

588. For the Secretary of State. Your 443, January 26, 11 a.m.<sup>67</sup> Department's 399, January 24, 6 p.m.<sup>68</sup> I had a conversation with the Japanese Ambassador on Friday, January 31, in regard to the subject matter of the telegrams above referred to. He stated that he would send me a memorandum of the conversations he had with you on May 6 and May 11 last, and I consented to cable them to you. I have received the memorandum and hereby transmit it as follows: "On May 6th, 1918, the Japanese Ambassador under in-

<sup>67</sup> Not printed.<sup>68</sup> Not printed; transmitted telegram of Jan. 22 from the Minister in China, p. 556.

structions approached the Honorable the Secretary of State on the question of the proposed employment by China of Baron Sakatani as financial adviser.

In his conversation with Baron Hayashi<sup>69</sup> on April 24, the American Minister at Peking was reported to have made it plain that he had no sympathy with the employment by China of Baron Sakatani as financial adviser, and expressed displeasure at the line of action adopted by the Chinese authorities in this matter.

Considering how the American Group had withdrawn in 1913 not only from the loan aiming at the reform of China's currency system but from various other enterprises in China, and how they had declined to entertain the invitation of the other groups of the Consortium for participation in the Supplementary Reorganization Loan which at the instance of the American group it was agreed should incorporate the currency loan above referred to, the Japanese Government were unable to understand the displeasure shown by the American Minister in regard to the proposal of Baron Sakatani's employment.

This proposal did not of course mean that Japan was to lay exclusive claim to the work of currency reform in China. On the contrary the immense amount of capital needed in connection with this enterprise naturally called for the cooperation of American capitalists, and the Japanese Government always entertained the earnest hope that the American group might yet find their way to participate in the supplementary Reorganization Loan. A perfect understanding on this point on the part of America was particularly desirable.

It was further pointed out in regard to Baron Sakatani's status that while as financial adviser he might naturally be called upon for counsel in the preparatory work of currency reform, he would not be, properly speaking, a currency adviser from the beginning. Only, it was understood, that on the completion of the Supplementary Reorganization Loan for the Currency Reform, he should be made currency adviser. In this respect, Great Britain, as well as Russia and France, had expressed consent to the Japanese Government.

In view of these facts the Japanese Government had every confidence that the American Government would not raise objection to the appointment of Baron Sakatani as financial adviser to the Chinese Government, and the Japanese Ambassador expressed to the Secretary of State the hope that the attitude of the American representative in Peking as reported did not reflect the views of the American Government.

Mr. Lansing said that he did not remember any instructions had been sent to Dr. Reinsch in the matter and that he would give his

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<sup>69</sup> Baron Gonsuke Hayashi, Japanese Minister in China at that time.

reply after looking into the question and asked Viscount Ishii to talk in the meantime with the Third Assistant Secretary of State.

Accordingly, Viscount Ishii saw Mr. Long on the same day. The Assistant Secretary after explaining what had passed between the American and Chinese Governments on the subject in the course of the last twenty years concluded that the United States had sentimental interest in this question of the Chinese currency reform. He added that no instructions had been given Dr. Reinsch recently on the matter.

The Japanese Ambassador met Mr. Lansing again on May 11th to resume the conversation. The Secretary of State now definitely stated that he had given no recent instructions to the American Minister to China and said that America, having historical interest in the question under consideration, was entitled to be informed of the course the matter was taking. Eventually, Mr. Lansing was good enough to add that after the frank explanation given by the Japanese Government, he saw no objection to the appointment of Baron Sakatani. Viscount Ishii, thanking Mr. Lansing for his friendly attitude which, he assured him, would be much appreciated by the Japanese Government, asked the Secretary of State if he might be authorized to report home that the American Government had given willing consent to the appointment of Baron Sakatani, whereupon he answered: 'Certainly.'

There being no record in the Department files of any conversation you had with him on this subject, I refer to memorandum of conversation he had with Mr. Long on May 6, to which he refers: "I told him that I did not remember specifically any instructions on the subject, but supposed that Dr. Reinsch simply expressed the sentimental interest which the American Government felt in the matter of currency reform in China, and in the matter of financial advisor in China; that we felt that we had originated the idea as long ago as 1901; had been instrumental in having appointed a financial advisor, not an American but a subject of a small European country, but that he had never functioned as advisor, having died shortly after his appointment; that we felt that all the powers had an interest in the currency reform in China, but that our interests existed earlier than any of the others and our activities in that respect was of such long standing that we felt that we should be consulted before any action should be taken."

After seeing me on January 31, the Japanese Ambassador called on Mr. Long and laid emphasis on the use he made of the words "sentimental interests." On that day Mr. Long told him that "When the word 'sentimental' had been used as descriptive of our interest in Chinese currency reform, it was expressive of our very



deep, wholesome, and sincere interest, and should not be construed as meaning a light and frivolous sentimentality."

In view of the importance which the Japanese attach to this particular appointment and to the manner in which it may affect our interests in China, I hope you will give it your very careful consideration and advise me what you desire me to reply to the Japanese Ambassador.

POLK

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893.51/2122

*The Department of State to the Japanese Embassy*

AIDE-MÉMOIRE

The Secretary of State advises that he is unable to recall the conversations to which the Japanese Ambassador refers as having taken place on May 6 and May 11, 1918. He, therefore, cannot confirm the Ambassador's memorandum but is not disposed to question its accuracy.

Without reference to the above, in the light of the decision on the part of this Government in June, 1918, to approach Japan and other Powers with a proposal to form a new consortium for the purpose of making loans to China, the Secretary of State feels that the situation has undergone a change. The views of the Governments of Japan, France and Great Britain with reference to such a proposal have been requested and received. The American bankers have been consulted and are ready to participate in such an enterprise. Since any monetary reforms in China will depend upon an international loan it would seem wholly proper that the terms of such loan and general principles affecting currency reform be agreed upon by all the lending groups before a financial adviser be appointed. The Secretary of State is of the opinion that any appointment should be postponed until the financial groups have had an opportunity to consider fully the questions involved. Whether the adviser be a Japanese or a citizen of some other nation this would seem not only fair but a practical necessity.

WASHINGTON, *February 21, 1919.*

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893.51/2130

*Memorandum of the Third Assistant Secretary of State (Long)*

[WASHINGTON,] *February 21, 1919.*

The Japanese Ambassador called today at the suggestion of Mr. Polk that he see me, as Mr. Polk was leaving town. I read to him the *aide-mémoir[e]* of today's date, advising him of the Secretary

of State's failure to recall the conversations of May 6th and May 11th, but stating that he was not disposed to question the accuracy of the Ambassador's memorandum, and further suggesting that in view of the changed circumstances in regard to consortium proposals that it was not only advisable, but of practical necessity to postpone the appointment of a financial advisor. At his request I gave him an initialed copy of the *aide-mémoire*[e]. He said that he would communicate it to his Government, and that it placed him in a very embarrassing position with his Government, but that he would have to assume the responsibility. I replied that the first paragraph of the *aide-mémoire*[e] seemed to relieve him of any embarrassment, because, whereas, the Secretary of State could not confirm the statements contained in his memorandum he was not disposed to question its accuracy, and practically accepted the situation which it created. I then pointed out to him that there was an entire change of circumstances, and that this Government felt that as long as the Japanese are interested in the circumstances, and had been a party to it, that she should realize them and accept them as they now appeared.

Further I called attention to the fact that his memorandum, which was under reference, had suggested that Baron Sakatani should be invested with powers additional to those of a financial advisor, and that he should be practically director of the currency reform. This I said was wholly without the contemplation of this Government, and that we did not see, irrespective of his function as financial advisor, and whether or not he should be appointed as such, that he should also become associated in such a specific way with the reform of the currency. The Ambassador argued that he had so advised Mr. Lansing in May, 1918, and that his Government had felt that we should be advised of their intentions in that respect, and that the agreement of China and Japan contemplated that Baron Sakatani should be appointed, not immediately, but when the opportunity arose for activity in the field of currency reform, as, practically, director of currency reform.

I reiterated this was entirely without the thought of this Government, and that such matters should be left for consideration at the time the circumstances arose wherein a currency reform should become a question for immediate consideration. I also suggested that the governments interested in currency reform should consider through their respective financial groups the question as to whether the financial advisor and the currency reform director should be a Japanese, or a citizen of some other nation, as was done in 1911 when the groups agreed upon an advisor unconnected with any of the lending powers.

701.9411/238c : Telegram

*The Acting Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, April 5, 1919, 4 p.m.

1460. For Secretary Lansing from Phillips.

After my conversation with Ishii yesterday on the Tientsin affair, see my 1452,<sup>70</sup> he asked me whether the Department had received any confidential message relating to him from Morris,<sup>71</sup> to which I replied in the negative. He then told me that he was going home on leave during the first week in May, to consult with his Government on certain matters. I expressed the hope that he would have a pleasant trip and soon return, to which he replied, for my confidential information only, that he did not propose to return. I expressed considerable surprise and concern, whereupon he referred to the Baron Sakatani incident in Peking and Mr. Reinsch's action in discouraging Sakatani's appointment after the assurance which Ishii himself had given to his Government that this Government approved of the appointment. He said that his relations were of such an intimate character with Sakatani that he felt there was no other course left open to him in the circumstances; that he had been trying for a long time to persuade his Government to give him leave to return home, but that he had only recently received his Government's approval.

I had supposed that the whole incident was satisfactorily settled when you so generously assured Ishii that while you had no recollection of the particular conversation with him regarding Sakatani you accepted the memorandum of explanation which he presented to you as correct. I felt that you would wish to know of Ishii's conversation with me as above reported.

PHILLIPS

893.00/3052 : Telegram

*The Acting Secretary of State to the Commission to Negotiate Peace*

[Extract]

WASHINGTON, April 16, 1919, 5 p.m.

1604. Personal for the Secretary.

Please see Department's 1460, Apr. 5 regarding Viscount Ishii's return to Japan, and note following, dated April 14th, from Morris, Tokyo:

<sup>70</sup> Not printed; quotes the telegram sent Apr. 4 to the Ambassador in Japan, vol. II, p. 424.

<sup>71</sup> Roland S. Morris, Ambassador in Japan.

On my inquiring when Ishii was expected he<sup>72</sup> volunteered detailed explanation of the cause of his return. It appears that Ishii considers his present continuance at Washington impossible in view of Mr. Lansing's inability to recall correspondence [*conversations?*] in reference to the appointment of Sakatani which Ishii reported to his own government as having occurred and on which his government acted. Minister for Foreign Affairs expressed the hope that Ishii would see his way clear to return but seemed doubtful. He further said that he was at a loss to understand our government's objection to Sakatani. The Japanese Government he explained had no desire to monopolize the currency project in China but merely wished to assist in working out some plan.

In view of the statement of the Minister for Foreign Affairs as expressed in Morris's despatch that he hoped Ishii would see his way clear to return to the United States, it occurs to me that you might care to send to Ishii now a personal message expressing your hope that he will return and authorize me to communicate in the same sense to the Japanese Minister for Foreign Affairs. . . .

POLK

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701.9411/251

*The Ambassador in Japan (Morris) to the Secretary of State*

No. 411

TOKYO, May 19, 1919.

[Received June 27.]

SIR: I have the honor to forward herewith copy of a letter which I wrote to Viscount Uchida, containing the substance of a message sent by Secretary Lansing to the Department of State and by it transmitted in his behalf to Viscount Ishii together with a copy of a note of acknowledgment and thanks from Viscount Uchida in reply.<sup>73</sup>

I have [etc.]

ROLAND S. MORRIS

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<sup>72</sup> The Japanese Minister for Foreign Affairs.

<sup>73</sup> Reply not printed.

[Enclosure]

*The American Ambassador (Morris) to the Japanese Minister for Foreign Affairs (Uchida)*

TOKYO, April 26, 1919.

MY DEAR VISCOUNT UCHIDA: It gives me much pleasure to communicate to you the following, which is the substance of a message sent by Secretary Lansing to the Department of State and by it transmitted in his behalf to Viscount Ishii on the 19th instant:

"Please say to Viscount Ishii that I have learned with great regret that he is thinking of resigning the Ambassadorship at Washington—a post which he is fulfilling so acceptably to the American Government, and no less so, I am sure, to his own Government. I am particularly pained to be informed that his proposed action is due to the failure of my memory to coincide with his in the recollection of a conversation concerning Baron Sakatani, whom I also esteem highly. I venture to hope that Viscount Ishii will reconsider the matter and will put aside all thought of resigning. I wish him a pleasant vacation, but hope to find him returning soon to Washington, where his gifts of mind and heart will be of great value in preserving the cordial relations now existing between our several countries."

Very sincerely yours,

ROLAND S. MORRIS

#### RAILWAYS<sup>75</sup>

**Agreements between China and Japan Concerning the Management of the Shantung Railway and the Construction of Branches; Loan Agreement for the Construction of Manchurian and Mongolian Railways—Elimination of German Interests from the Hukuang Railway Enterprise—Confiscation of the German Share in the Hukuang Railway Bond Issue by the Chinese Government; American Protests**

893.77/1703

*The Minister in China (Reinsch) to the Secretary of State*

No. 2361

PEKING, December 3, 1918.

[Received January 7, 1919.]

SIR: In forwarding despatch No. 228 from the Consul at Tsingtau to the Secretary of State, relating to the status of the Shantung Railway, I have the honor to enclose herewith copies of despatch No. 14 from the Consul at Tsinanfu, and two newspaper articles, dealing with the abolition of the Japanese civil offices in Shantung,

<sup>75</sup> See also pp. 281–282, 286–289, and 373–375.

in return for "compensation" in the form of new railway concessions.<sup>76</sup>

The Consul at Tsinanfu reports, as is verified also from other sources, that the new railway concessions (Kaomi-Soochow [*Hsu-chow?*] and Tsinan-Shunteh Lines) are treated as consideration or compensation given for certain arrangements, such as the withdrawal of the Japanese military guard along the Shantung Railway, the withdrawal of the Japanese civil administration, and the allowing of a half interest in the Shantung Railway to China.<sup>77</sup> . . . I have the honor most strongly to urge that the disposal of this railway in such a way as effectually to put it under the control of the Central Government of China, should be made one of the essential points of the peace settlement, as is recommended in the carefully considered and fully weighed despatch of the Consul at Tsingtau.

The adequate settlement of this matter is closely bound up with the establishment in China of conditions under which public and private business can be done in a decent manner, in which self-respecting people and nations can engage, and which moreover will avoid immediately laying the foundation for future conflicts and for the continuation of a system which the present war was fought to put an end to for all time. For the bearing of this particular matter upon the general situation in China, I have the honor to refer you to my despatch No. 2362 of even date herewith,<sup>78</sup> wherein certain memoranda of the Consul at Tsingtau are forwarded.

I have [etc.]

PAUL S. REINSCH

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893.77/1706b : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, January 4, 1919, 7 p.m.

The French Charge d'Affaires called December 24th and asked this Government to instruct our minister to urge the Chinese Government to eliminate the German interests in the Hukuang railroads.<sup>79</sup>

He was told that we feared that such independent action along the line of the new Consortium's proposed activity would delay, if it might not jeopardize, the completion of the Consortium Group; that the formation of the new Consortium Group would definitely and

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<sup>76</sup> Enclosures not printed.

<sup>77</sup> See *Foreign Relations*, 1918, p. 205.

<sup>78</sup> Not printed.

<sup>79</sup> See *Foreign Relations*, 1918, pp. 199 ff.

conclusively eliminate German influence in China; that we hoped that his Government would adopt the Consortium as a means to the end he had just proposed and would urge the British and Japanese Governments to do the same.

He argued at considerable length, and was told finally that we would:

(a) Instruct our minister to support the proposed elimination of German interests in the Hukuang railways in connection with similar proposals from the British, French, and Japanese representatives; provided

(b) That these four governments join under the conditions mentioned in the Consortium proposal to make a loan to China for the completion of the railway.

POLK

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893.77/1710: Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, February 1, 1919, 5 p.m.

[Received February 2, 11.59 a.m.]

Your January 4, 7 p.m. French Minister has informed me that he has instructions to act with British Minister in urging elimination of the German interest in the Hukuang Railways, also to proceed with the British, Japanese and Italian Minister[s] to urge liquidation of enemy property and other measures against Germans. British Minister has informed him that the British Government desires that matters relating to general German rights are to be reserved for action by Peace Conference, with the exception of repatriation which has already been decreed. As to the Hukuang Railway British Minister does not think that action without the United States is advisable.

British Minister states that he personally favors the immediate settlement of the Hukuang matter by the three powers concerned together with furnishing of funds needed, if the United States of America will advance them. [Omission] formation of the consortium on the conditions named by the American Government can be at once accomplished. He expressed great fear lest Japan by magnifying her legally unfounded claims in Shantung might secure admission to the consortium without fully acceding to the terms proposed by America particularly with regard to railway options in Manchuria. He fears that [with] the admission of Japan to the Hukuang group without such thoroughgoing guarantee, the future railway situation would be very dangerous, expressing views identical with my telegram of January 7, 7 p.m.<sup>80</sup> of course like myself

<sup>80</sup> Not printed.

applying them not to the American consortium proposal but to possible partial abatement of its terms. He stated he would again strongly urge his Government to push conclusion of consortium. We are both of opinion that the most serious consequences will follow unless Chinese finance can be put on a sound basis without delay.

Referring to my cable of January 11, 1 p.m. [*January 24, 7 p.m.?*] <sup>81</sup> The French Minister also informed me that he had expressed acquiescence in the appointment of a Japanese currency adviser, his Government having obtained from Japan in return support for the eventual appointment of a Frenchman as inspector of the land revenue. I expressed surprise that an attempt should be made to settle such matter at this time without full consultation. Predetermining as to [these] matters would seem neither just to other partners nor in the best interest of all concerned.

REINSCH

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893.77/1710 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)* <sup>82</sup>

WASHINGTON, *February 5, 1919, 6 p.m.*

Your February 1, 5 p. m.

Following received from the Embassy at London:

"I understand that the attitude of the British Government towards the completion of the International Consortium now under discussion, has not in the past been favorable. It had been thought here that, owing to the inclusion of industrial loans in the proposed agreement, the American group would consist of industrial as well as financial institutions and that this would result in a monopoly of all business both financial and industrial. Foreign Office did not favor joining a consortium which might involve support of a monopoly which they could not justify.

Morgan, who I understand, will take up this matter in Paris also next week, has explained here that there was no thought of such monopoly but that the plan now under consideration has to do with financial affairs only. This explanation seems to have given satisfaction and it is hoped the matter will now receive favorable consideration in Great Britain. Confidential. Hukuang loan belonging to the original four powers, United States, Great Britain, France and Germany. Feeling here is that the transference of German interests to Japan should only be offered to Japanese as part of the whole transaction and should be made as a concession and part of the advantage Japan would receive from coming into the consortium."

Referring to the Hukuang Railway loan the Department is of the opinion that it is not a question of transferring Germany's interest

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<sup>81</sup> *Ante*, p. 557.

<sup>82</sup> See last paragraph for instruction to repeat to Tokyo.



in it but simply of permitting Japan to participate along with the United States, England and France in making a loan for the completion of the Canton-Hankow section of the railway after Germany's interest in the other section has been eliminated. Department also feels that Japan's agreement to the consortium proposal should not be made a condition precedent to her participation in the loan. The Department is already on record as approving Japanese participation as above suggested provided loan is made under the conditions outlined in the consortium proposal.

Repeat to Embassy, Tokyo for information including your February 1, 5 p.m.

POLK

893.77/1741

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2534

PEKING, February 20, 1919.

[Received April 1.]

SIR: In connection with my despatch No. 2361 dealing with the Shantung railway, I have the honor to forward copies of the exchange of notes made at Tokyo on December [September] 24, 1918 between the Japanese Minister for Foreign Affairs and the Chinese Minister to Japan.<sup>83</sup> It will be seen that the reports [*sic*] sent in by the Consul at Tsinanfu, enclosed in my despatch No. 2361 was substantially correct, although the Consul's report also includes the two railways newly granted to the Japanese as part of the concession under this arrangement.

In connection with this agreement it must be noted that the exchange took place immediately before the change of Government at Peking from President Feng to President Hsu. It was so timed that President Hsu, upon his accession, would find himself with action already taken. In Japan, too; the change from the Terauchi to the Hara Ministry was impending. The method of getting these agreements with their attendant financial considerations out of the way at this time would then enable Premier Hara to treat them as commercial arrangements made at the time of his predecessor, responsibility for which he had inherited. It is generally here asserted that the Chinese Minister at Tokyo acted only upon informal instructions from the Minister of Communications, Tsao Ju-lin, on the supposition that this was a matter to be controlled by the Railway Department. The facts about this are not known to me nor the time

<sup>83</sup> See also *Foreign Relations*, 1918, p. 205. The Department is advised by the Japanese Government that the original text of the note of the Japanese Minister for Foreign Affairs was rendered in Japanese and that of the Chinese Minister to Japan in Chinese.

at which the Chinese Foreign Office at Peking was informed about the matter. Needless to say the entire procedure was most extraordinary; Governments do not ordinarily accord important concessions or give away valuable rights by action of their Ministers in foreign capitals. Now that the actual provisions of this agreement have become known in China, the opinion among the Chinese seems to be crystalizing that this exchange of notes cannot claim validity as an international agreement which it could only have after ratification by the national Parliament. It is also believed that the rights affected by this exchange are not for Japan and China to dispose of without previous consultation with the other Allies.

I have [etc.]

PAUL S. REINSCH

[Enclosure 1—Translation]

*The Japanese Minister for Foreign Affairs (Goto) to the Chinese Minister in Japan (Chang Tsung-hsiang)*

TOkyo, September 24, 1918.

SIR: In view of the neighbourly feelings of friendship between our two countries, the Government of Japan, being desirous of arranging matters in a spirit of harmony, has drawn up an agreement which it regards as a satisfactory settlement of all outstanding questions relating to the Province of Shantung, and I now have the honour to bring this proposal to the notice of your Government. The terms of the proposed agreement are as follows:—

1

All Japanese troops stationed along the Shantung Railway—with the exception of one Company which will be left at Tsinan—will be withdrawn to Tsingtao.

2

The Chinese Government may establish a Police Force which shall take over the duty of guarding the railway.

3

The Administration of the Shantung Railway shall set aside a sufficient sum to meet the expenses of the Police Force.

4

Japanese subjects are to be employed at the Headquarters of this Police Force and at all important stations and in the Police Training School.

5

Among the employes of the Shantung Railway posts shall be given to Chinese subjects also.

6

After it has been definitely decided to whom the Shantung Railway is to belong the railway is to be placed under the joint management of China and Japan.

7

The Civil Administration Offices now in existence are to be abolished.

I have the honour to request that you will communicate to me the views of your Government with regard to the above proposal.

I have [etc.]

BARON GOTO

[Enclosure 2—Translation]

*The Chinese Minister in Japan (Chang Tsung-hsiang) to the Japanese Minister for Foreign Affairs (Goto)*

TOKYO, *undated*.

SIR: I have the honour to acknowledge receipt of your letter couched in the following terms:—

(Quotes in full letter from Minister for Foreign Affairs of September 24, 1918.)

I have the honour to inform you that the Government of China accepts with pleasure the proposal contained in the letter quoted above.

I have [etc.]

SEAL OF CHANG TSUNG HSIANG

893.77/1734a : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*<sup>84</sup>

WASHINGTON, *March 19, 1919, 6 p.m.*

You will please take up immediately with the Chinese Government the question of eliminating by them all the German interest in the Hukuang railroad, and urge that it be done. You will also urge upon them the importance of holding for the time being in the Chinese Government the title to the interest to be cancelled, and until such time as the new Consortium can be formed. After that time it may be advisable from the point of view of China's welfare, and to promote international comity and cooperation to reassign this interest to some other power or powers, or citizens of such, as may be associated in the new Consortium. Concurrently you may say that this Government will use its good offices with the other governments concerned, and with the American bankers to the end

<sup>84</sup> See last paragraph for instruction to repeat to Tokyo.

that China does not lack funds for the completion of this railroad. The traditional friendly interest of the United States for China is in itself an assurance that the welfare of China in this, as in other respects, will be the subject of the solicitous interest of this Government. The prospect of a very early completion of a treaty of peace makes this now an urgent matter, as it will be necessary to take advantage of the existence of a state of war to eliminate this German interest without complications. This Government looks upon the step here proposed as important and as particularly urgent, and you will please be guided accordingly in your representations to the Chinese Government.

For your information and for such use as you may deem advisable the prospect of an early completion of a new Consortium is very encouraging and the governments of the United States, England, France and Japan will probably be able in the comparatively near future to come to an understanding in regard to the fundamental principles, which will then be proposed to the Chinese Government, and which will insure to them a source of financial assistance on terms which we hope will be entirely agreeable and acceptable to China. In view of this fact it is all the more important that China cancel the interest granting to a hostile government, and to the citizens and subjects of that government certain rights and privileges the continuance of which is inimical to the welfare of China as it is viewed by the United States, and may be very embarrassing to the future operation in China by the powers now interested in the new Consortium group, and might even lead to complications and trouble in the future in China.

For your confidential information and guidance, and communication to Abbott.<sup>85</sup> Mr. Morgan<sup>86</sup> has just returned from England and France, where he consulted members of the British and French financial groups. From him and from advices which have come through official channels to the Department we now understand that the bankers of those countries desire an early acceptance by their respective governments of the general principles of the Consortium, and an agreement with this Government and Japan in regard thereto. Japanese officials suggested to Mr. Abbott in Tokyo that a meeting of the representatives of the various national groups be held in New York to discuss the details and working arrangements of the matter. Acting upon that suggestion we are today communicating with Tokyo expressing our approval of the suggestion and inviting them to send a representative of their financial group to meet the repre-

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<sup>85</sup> John Jay Abbott, representative of American banking group.

<sup>86</sup> Of J. P. Morgan & Co.

sentatives of the other interested powers in the City of New York on May 15. If Tokyo accepts we will make the same suggestion to England and France.

Repeat to Tokyo for information only.

POLK

893.77/1768

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2680

PEKING, April 12, 1919.

[Received May 17.]

SIR: I have the honor to transmit herewith enclosed the texts of agreements<sup>87</sup> as given out by the Foreign Office in a translation appearing in the *Peking Leader*.<sup>88</sup>

I have [etc.]

PAUL S. REINSCH

[Enclosure 1—Translation]

*Preliminary Agreement between the Chinese Government and Certain Japanese Banks for the Tsinanfu-Shunteh and Kaomi-Hsuehchow Railway Loan, Signed September 28, 1918*

For the purpose of constructing a railway from Tsinanfu in Shantung to Shunteh in Chihli and another from Kaomi in Shantung to Hsuehchow in Kiangsu (which are to be called "the two railways" hereinafter) in China. The Government of the Republic of China (to be called "the Government" hereinafter) has entered into the following preliminary agreement with the three Japanese banks, the Nippon Kiogio Bank, the Bank of Taiwan and the Bank of Chosen (to be called "the Banks" hereinafter) which are represented by the Nippon Kiogio Bank, as a preparatory step towards the conclusion of a formal loan agreement.

ARTICLE 1. The Government shall sanction the issue, through the Banks of the Tsi-Shun Railway Gold Currency Public Loan Bonds and the Kao-Hsu Railway Gold Currency Public Loan Bonds of the Government of the Chinese Republic (to be called "the two railway loan bonds" hereinafter) to meet all the expenses to be incurred in the construction of the railways from Tsinanfu in Shantung to Shunteh in Chihli and from Kaomi in Shantung to Hsuehchow in Kiangsu.

In case it shall be found after investigation that the construction and management of the two railways, Tsi-Shun and is likely to

<sup>87</sup> See also *Foreign Relations*, 1918, p. 205.

<sup>88</sup> Issues of April 10 and 11, 1919.

prove to be Kao-Hsu, unprofitable<sup>89</sup> the Government and the Banks may alter the lines by mutual consent.

ARTICLE 2. The Government shall speedily make an estimate about the funds required for the construction and other purposes in connexion with the two railways and submit the same to the Banks for approval.

ARTICLE 3. The time limit for the issue of the two railway loan bonds shall be forty years from the date of their issue; and the repayment of capital shall commence from the eleventh year, and shall be made by annual instalments.

ARTICLE 4. Construction of the two railways shall be commenced simultaneously with the conclusion of the formal agreement of the two railway loan[s] by the Government and it shall be completed as soon as possible.

ARTICLE 5. The Government shall offer the following as security against the redemption of, and payment of interest on, the two railway loan bonds:

All the properties [which] at present [belong or in future] shall belong to the Tsi-Shun and Kao-Hsu Railways and their revenue. The Government shall not pledge the aforesaid properties or their revenue as security or guarantee to other persons without the approval of the Banks.

ARTICLE 6. The issuing price of the two railway loan bonds, their rate of interest and the net receipt from the sale of the said bonds by the Government shall be fixed by mutual consent at the time of issue on a principle advantageous to the Government.

ARTICLE 7. Regarding details not been [*sic*] stipulated in the foregoing articles the Government and the Banks may arrive at an understanding by mutual agreement.

ARTICLE 8. The formal agreement of the Tsi-Shun and Kao-Hsu Railway Loan shall be based on the present preliminary agreement and it shall be concluded within four months after the conclusion of the latter.

ARTICLE 9. Upon the conclusion of this preliminary agreement the Banks shall make an advance of 20,000,000 Yen to the Government in full without any discount.

ARTICLE 10. The rate of interest to be paid on this advance shall be eight per cent. per annum, that is, on every hundred Yen eight Yen shall be paid as interest every year.

ARTICLE 11. This advance shall be made to the Government as payment on the Government Treasury Bonds in accordance with the "discount" practice.

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<sup>89</sup> Error in file copy; should read, "Tsi-Shun and Kao-Hsu, are likely to prove to be unprofitable".

ARTICLE 12. The aforesaid Treasury Bonds shall be changed once in every six months and each time the Government shall pay the interest of six months to the Banks.

ARTICLE 13. After the conclusion of the formal agreement of the Tsi-Shun and Kao-Hsu Railway Loan the Government shall first of all repay this advance with the proceeds from the sale of the said loan bonds.

ARTICLE 14. The delivery of this advance, the repayment of same and the payment of interest on same and other matters of delivery and receipt in connexion thereof shall be transacted in Tokyo.

Of this preliminary agreement two sets, each containing two copies, one written in the Chinese language and the other in Japanese, shall be provided and the Government and the Banks shall each keep one copy. In case any doubt arises regarding the interpretation of the provisions therein the Japanese version shall be considered binding.

(Signed and Sealed) CHANG CHUNG-HSIANG,  
*Envoy Extraordinary and Minister  
Plenipotentiary of the Chinese Republic.*

KOE [*Ono?*],  
*Vice-Governor of the Nippon Kiogio Bank.*

The 28th day of the 9th month of the 7th year of the Chinese Republic.

The 28th day of the 9th month of the 7th year of Taisho of Imperial Japan.

[Enclosure 2—Translation]

*Preliminary Agreement between the Chinese Government and Certain Japanese Banks for the "Four Manchurian and Mongolian Railways" Loan; Signed September 28, 1918*

For the purpose of constructing a railway from Jehol to Taonan, another from Changchun to Taonan, a third from Kirin through Hailung to Kaiyuan, and a fourth from a point on the Jehol-Taonan line to a certain harbour (to be hereinafter called "the four Manchurian and Mongolian Railways") the Government of the Republic of China (to be hereinafter called "the Government") has entered into the following preliminary agreement with the three Japanese Banks, the Nippon Kiogio Bank, the Bank of Taiwan and the Bank of Chosen, (to be hereinafter called "the Banks") which are represented by the Nippon Kiogio Bank, as a preparatory step towards the conclusion of a formal loan agreement.

ARTICLE 1. The Government shall sanction the issue, through the Banks, of the Je-Tao Railway Gold Currency Public Loan Bonds,

the Chang-Tao Railway Gold Currency Public Loan Bonds, the Ki-Kai Railway Gold Currency Public Loan Bonds, and the . . . Railway Gold Currency Public Loan Bonds (to be hereinafter called "the Four Manchurian and Mongolian Railway Gold Currency Public Loan Bonds") of the Government of the Chinese Republic to meet all the expenses to be incurred in the construction of the railways between Jehol and Taonan, between Changchun and Taonan, between Kirin and Kaiyuan and between a certain point on the Jehol-Taonan line to a certain harbour.

But the line from a point on the Jehol-Taonan line to a certain harbour may be determined by the Government and the Banks by mutual consent.

ARTICLE 2. The Government shall make an estimate of the funds required for the construction and other purposes in connexion with the four Manchurian and Mongolian Railways and submit the same to the Banks for approval.

ARTICLE 3. The time limit for the issue of the Four Manchurian and Mongolian Railway Gold Currency Public Loan Bonds shall be forty years from the date of their issue; and the repayment of capital shall commence from the eleventh year and shall be made by annual instalments.

ARTICLE 4. Simultaneously with the conclusion of the formal Agreement of the Four Manchurian and Mongolian Railway Loan the Government and the Banks shall mutually decide upon the plans of construction of the said railways, which should be done and completed as soon as possible.

ARTICLE 5. The Government shall offer the following as security against the redemption of, and payment of interest on, the Four Manchurian and Mongolian Railway Gold Currency Public Loan Bonds:

All properties which at present belong or in future shall belong to the Four Manchurian and Mongolian Railways and their revenue.

The Government shall not pledge the aforesaid properties or their revenue as security or guarantee to other persons without the approval of the Banks.

ARTICLE 6. The issuing price of the Four Manchurian and Mongolian Railway Gold Currency Public Loan Bonds, their rate of interest and the net receipt from the sale of the said bonds by the Government shall be fixed by mutual consent at the time of issue on a principle advantageous to the Government.

ARTICLE 7. Regarding details not stipulated in the foregoing articles the Government and the Banks may arrive at an understanding by mutual agreement.

ARTICLE 8. The formal agreement of the Four Manchurian and Mongolian Railways shall be based on the present preliminary agree-



ment and it shall be concluded within four months after the conclusion of the latter.

ARTICLE 9. Upon the conclusion of this preliminary agreement the Banks shall make an advance of 20,000,000 Yen to the Government in full without any discount.

ARTICLE 10. The rate of interest to be paid on this advance shall be eight (8) per cent. per annum, that is, on every hundred Yen eight Yen shall be paid as interest every year.

ARTICLE 11. This advance shall be made to the Government as payment on the Government Treasury Bonds in accordance with the "discount" practice.

ARTICLE 12. The aforesaid Treasury Bonds shall be changed once in every six months and each time the Government shall pay the interest of six months to the Banks.

ARTICLE 13. After the conclusion of the formal agreement of the Four Manchurian and Mongolian Railway Loan the Government shall first of all repay this advance with the proceeds from the sale of the said loan bonds.

ARTICLE 14. The delivery of this advance, the repayment of same and the payment of interest on same and other matter of delivery and receipt in connexion thereof shall be transacted in Tokyo.

Of this preliminary agreement two sets, each containing two copies, one written in the Chinese language and the other in Japanese, shall be provided and the agreement and [*sic*] the Banks shall each keep one set. In case any doubt arises regarding the interpretation of the provisions therein the Japanese version shall be considered as binding.

(Signed and Sealed) CHANG CHUNG-HSIANG,  
*Envoy Extraordinary and Minister  
Plenipotentiary of the Chinese Republic.*

ONO,  
*Vice-Governor of the Nippon Kiogio Bank.*

The 28th day of the 9th month of the 7th year of the Republic of China.

The 28th day of the 9th month of the 7th year of Taisho of Imperial Japan.

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893.77/1749 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, April 13, 1919, 2 p.m.

[Received April 14, 1.55 a.m.]

Your April 9th, 5 p.m.<sup>90</sup> The Minister of Finance has just replied that while the Chinese Government has decided to exclude the Ger-

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<sup>90</sup> "Please report status of question to eliminate German interest in Hukuang contract."

mans from future participation in the Hukuang contract, the manner of making the statement has to be very carefully considered. The three Legations will bring strong pressure to bear to expedite the making of the statement. Delay has been due to reference of the matter to the Paris delegation.

REINSCH

893.77/1775

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2695

PEKING, April 29, 1919.

[Received June 9.]

SIR: In connection with your telegraphic instructions of March 19th, 6 p.m.<sup>91</sup> relating to the elimination from the Hukuang Railway of all German interest, I have the honor to report as follows:

The matter was immediately taken up with my British and French colleagues. After consultation we sent, on March 25th, practically identical notes to the Foreign Office, (copy of my note herewith enclosed). The British Minister used the same first paragraph after which his note reads as follows:

“Your Excellency will, I feel sure, realize that as a result of the war the further co-operation of the British Group with the German group is out of the question and would render the raising of a loan on the British market a practical impossibility. The definite exclusion of the German group from all future interest in financing, constructing, and managing the Hukuang Railway becomes, therefore, a condition precedent to the supply of further funds by the British group.

I have much pleasure in adding that my Government will, in agreement with the Government[s] of the United States and France, be ready to use its best endeavours to see that the Chinese Government is furnished with sufficient funds to ensure the completion of the Hukuang Railways.”

A copy of the French Minister's note is also enclosed.<sup>92</sup>

At the same time I took up the matter in personal conversation both with the Acting Minister of Foreign Affairs and the Minister of Communications. I took pains to impress upon the Ministers that the action was merely a corollary to the general declaration already made by the Chinese Government—that treaties with Germany had lapsed upon the declaration of war, and that our request was merely for an assurance that the Chinese Government would not revive these rights upon the conclusion of peace as far as the Hukuang Railways were concerned. Although we were given to understand that a favorable answer would be made, some time elapsed as the

<sup>91</sup> *Ante*, p. 572.

<sup>92</sup> Not printed.

Government considered it necessary to get the opinion of the Paris delegation on the matter.

On April 11th, the Acting Minister assured me that a favorable answer would be sent to him from the Minister of Communications on the next day which he would communicate to me. He actually sent a communication on April 12th which, while it expressed general compliance, contained a clause that further favorable consideration would be given the matter. We did not consider this answer at all satisfactory and pressed for a more definite reply. On April 18, I was informed that the reply, as communicated to you herewith, would be given if satisfactory to us. We agreed that it was satisfactory but the formal document which is dated April 24th did not reach the Legations until April 25th.

With respect to the stipulation that operations in this matter are to be limited to Great Britain, France, and the United States, it did not seem to us feasible to insist upon a different statement of this subject. We feel that should we take exceptions to this stipulation grave suspicions would be aroused; and that should a plan for general international financing of all Government enterprises in China be adopted, the present enterprise could, without difficulty, be included therein. It was also felt by all of us that any disposal which it would be desirable in the interests of all the partners to make of this enterprise ultimately would not in the end fail of the consent of the Chinese Government.

I have [etc.]

PAUL S. REINSCH

[Enclosure 1]

*The American Minister (Reinsch) to the Chinese Acting Minister of Foreign Affairs (Ch'en Lu)*

No. 923

[PEKING,] *March 25, 1919.*

EXCELLENCY: As it is a universal rule of international law that a declaration of war operates to cancel all treaties and agreements existing between the country declaring war and its enemy and that such contracts can only be revived after the conclusion of peace by special consent of the governments concerned; it has been understood by my Government that all the rights and interests held by German subjects under the Hukuang railway loan contract of May 20th, 1911, were cancelled by the declaration of war of the Chinese Government against that of Germany on August 14th, 1917. Acting under instructions from my Government I now have the honor to express the hope that Your Excellency in behalf of your Govern-

ment will give me the assurance that these rights and interests will not be revived upon the conclusion of peace and that the Chinese Government will hold them in abeyance for such disposal as the remaining parties concerned in this agreement may desire to make of them in due time; and that therefore all German interest in the Hukuang railways will remain permanently eliminate[d]. As my Government considers this matter as particularly urgent, I have the honor to request the earliest possible reply.

In this connection I take great pleasure in being able to state that the American Government will use its good offices with the other Governments concerned, and also with the American bankers, with the end in view that funds for the completion of the Hukuang railways will be supplied to the Chinese Government. In this as in other respects the welfare of China will be my Government's solicitous interest.

I avail myself [etc.]

PAUL S. REINSCH

[Enclosure 2]

*The Chinese Acting Minister of Foreign Affairs (Ch'en Lu) to the American Minister (Reinsch)*

No. 957

[PEKING,] April 24, 1919.

SIR: I have the honor to acknowledge the receipt of Your Excellency's note regarding the Hukuang Railway. This was duly referred to the Ministry of Communications which now replies to the following effect:

The privileges of the Germans in connection with the Hukuang Railway Loan Agreement were all cancelled on the Declaration of War. Payment on principal and interest on the German bonds and advances has ceased, and they will be reckoned as security for indemnity due China for losses in the War. It is hoped that Great Britain, France and the United States will co-operate to the utmost of their ability to complete the Hukuang Railways. It must be stipulated, however, that operations are to be limited to Great Britain, France, and the United States, three powers. As to the connection of Germany with the Hukuang Railways, this Ministry declares that after the conclusion of peace the German interest will not be revived.

The above is communicated for the information of Your Excellency.

A necessary despatch, under instructions.

SEAL OF WAI CHIAO PU

893.77/1788

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2847

PEKING, June 30, 1919.

[Received August 5.]

SIR: In continuation of my despatch No. 2695 of April 29th relating to the proposal to eliminate the German interest from the Hukuang railway enterprise, I have the honor to enclose copy of a note from the Foreign Office dated April 30th which was written and received after the note of the Foreign Office already communicated to you in which it accepts the proposal for elimination of the German interest. That such a demand should be made seemed to the Ministers concerned as somewhat extraordinary. It was first considered appropriate to return the note to the Foreign Office as the alternatives presented therein could not be entertained. However, as the British Minister remarked that at the time when he had received the assurance that our proposal to eliminate the German interest would be accepted in a note, the Acting Minister for Foreign Affairs had also stated that the Chinese Government might make a counter proposal in this matter, we decided to reply—merely stating that we should defer expressing ourselves upon the counter proposals at this time. Copy of the note in this sense to the Foreign Office, dated May 22nd, is also herewith enclosed. Identical notes were sent by the three Ministers concerned.

I have [etc.]

PAUL S. REINSCH

[Enclosure 1—Translation]

*The Chinese Acting Minister of Foreign Affairs (Ch'en Lu) to the American Minister (Reinsch)*

No. 962

[PEKING,] April 30, 1919.

SIR: This Ministry has already sent Your Excellency a communication regarding the elimination of the German interest in the Hukuang Railways. We are now in receipt of a note from the Ministry of Communications saying that certain declarations ought to be made; (1) The German share in the bond issue of the Hukuang Railway System with the privileges attached thereto has been cancelled by the Chinese Government and such rights and privileges revert to the Chinese Government which should enjoy the German share of the rights and privileges. The responsibilities of the Germans in respect to loans and construction work, as defined in the Loan Agreement, should also be assumed by the Chinese Government, which may transfer them to Chinese capitalists who will receive the same treatment as the British, French and Americans.

(2) If the British, French and Americans wish to obtain the German rights which have reverted to China, they must pay to China the £1,500,000 already advanced by the Germans, after which they may inherit the rights and attendant privileges attaching to the German loan. This Ministry is requested to convey this declaration to the British, French and American Ministers.

We now ask Your Excellency to choose one of the alternations [*alternatives*] proposed by the Ministry of Communications. If the second is preferred, the German share amounting to £1,500,000 with accrued interest has been appropriated by the Chinese Government, as security against the war indemnity of China. Therefore anyone wishing to obtain the (German) rights and privileges should pay to the Chinese Government the £1,500,000. We now send this notification and await Your Excellency's reply.

CH'EN LU

[Enclosure 2]

*The American Minister (Reinsch) to the Chinese Acting Minister of Foreign Affairs (Ch'en Lu)*

No. 948

[PEKING,] *May 22, 1919.*

EXCELLENCY: I have the honor to acknowledge the receipt of your note of April 30, containing the two proposals of the Chinese Government for dealing with the cancelled rights and privileges of the Germans in the Hukuang Railway Loan. As to how the German rights are to be distributed now that they are cancelled, the matter needs careful consideration in view of the provisions of the Loan Contract. I am not able at present to give a decisive reply as to the policy to be adopted concerning the two proposals, which do not seem to be very clear. I will defer expressing myself on the subject until we can go into particulars more thoroughly after the representatives of the different banks at Peking have received instructions from their head offices.

I avail myself [etc.]

PAUL S. REINSCH

893.51/2353

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2881

PEKING, *July 7, 1919.*

[*Received August 5.*]

SIR: I have the honor to enclose copy of a note received from the Foreign Office concerning the confiscation of the German issue of Hukuang Railway bonds. It was, of course, impossible for me to accept this interpretation as, undoubtedly, many bonds of the Ger-

man issue had, in perfectly good faith, come into the hands of American holders. My British and French Colleagues are of the same opinion. I have the honor to enclose draft of a note written in reply to the Foreign Office's note of June 11th, which I have submitted to my Colleagues for joint action.

I have [etc.]

PAUL S. REINSCH

[Enclosure 1]

*The Chinese Acting Minister of Foreign Affairs (Ch'en Lu) to the American Minister (Reinsch)*

No. 976

[PEKING,] June 11, 1919.

SIR: We are in receipt of a note from the Ministry of Communications to the effect that the Loan Agreement for the Ching-Pu Railway of January 13, 1908, and the supplementary Agreement of September 28, 1910, and the Loan Agreement of the Hukuang Railways of May 20, 1911, together with the various notes connected therewith regarding issue of bonds, interest and special privileges are all cancelled from August 14, 1917, the date of the declaration of war by China upon Germany and Austria. The payment of capital and interest on these obligations ceased from the date of the declaration of war. But there is a certain number of these bonds which investigation has shown are not in the hands of enemy subjects. The Hongkong and Shanghai Bank acted for the Chinese Government from September 3, 1917 to March 31, 1919 in the payment of interest on these bonds. This was limited to the numbers of the bonds and corresponding numbers of the interest warrants as reported by the Bank. We acknowledge that these bonds were not in the hands of enemy subjects, and in future the Hongkong and Shanghai Bank will continue to pay the interest on these bonds. With the exceptions of the above bonds, all the bonds issued by the Deutsch Asiatische Bank are reckoned as belonging to enemy subjects; and will be applied to the settlement of the expenses incurred by China in the War. No payments of principal or interest will be made by China upon them. They may not be used as negotiable securities. The Ministry of Foreign Affairs is requested to inform each Legation of this decision so that these bonds reserved to meet the losses of the Chinese Government may not be transferred from enemy subjects to the hands of those who are not enemy subjects.

This Ministry now sends you this notification for communication to the American Government so that American merchants may be duly notified.

A Formal Despatch.

SEAL OF WAI CHIAO PU

[Enclosure 2]

*Draft of Proposed Note of American Minister (Reinsch) to the Chinese Acting Minister of Foreign Affairs (Ch'en Lu)*<sup>93</sup>

[PEKING,] June 26, 1919.

I have the honor to acknowledge the receipt of Your Excellency's despatch of June 11th quoting a despatch from the Ministry of Communications which states in connection with the Tsin-Pu Railway Loan Agreement of January 13th, 1908, the Supplementary Loan Agreement of September 28, 1910, and the Hukuang Loan Agreement of May 20, 1911, that all bonds issued thereunder through the Deutsche Asiatische Bank will be considered as belonging to enemy subjects and will be applied to the settlement of expenses incurred by China in the War. An exception is to be made, however, in the case of such of these bonds as were not in enemy hands from September 3, 1917 to March 31, 1919, as evidenced by the payment during that period through the Hongkong & Shanghai Bank on behalf of the Chinese Government of principal and interest thereon. Subject to this exception it is stated that no payments of principal or interest will be made by China upon such bonds.

I find myself unable to accept the proposal of the Ministry of Communications. There are a large number of such bonds which have been purchased in entire good faith by American citizens both before and after September 3, 1917, in respect to many of which it is probable that no application has been made for the payment of principal or interest. It is manifestly unjust and contrary to recognized international usage that such bonds should be repudiated. Moreover it is understood that the bonds issued through the Deutsche Asiatische Bank are practically identical in appearance with these issued through the other non-enemy banks interested in these issues, and bear nothing which would enable the public to distinguish between them. It is certain thereafter [*therefore?*] that many such bonds will be purchased in entire good faith by American citizens from time to time. Finally, I have the honor to observe that the bonds of these issues are payable to bearer and are in reality the same as interest bearing bank notes. It is contrary to all established practice to declare that any instrument of this sort is repudiated because it has passed through enemy hands.

Such action as the Chinese Government may decide to take in regard to enemy personal property within Chinese jurisdiction is not a matter which concerns me. But, for the reasons stated above, I

<sup>93</sup> Proposed note was submitted to British and French Ministers for joint action, but there is no record in the Department files that it was ever sent to the Chinese Foreign Office.



must protest most strongly against any attempt to repudiate Chinese national bonds held by American citizens and must reserve the right to demand the execution of China's contractual obligations in respect thereto.

893.77/1780

*The American Group to the Acting Secretary of State*

NEW YORK, July 9, 1919.

[Received July 10.]

SIR: Referring to your letter of June 11, 1919, (FE-893.77/1775), enclosing copy of Despatch from the American Minister at Peking relative to the terms upon which China is willing to relinquish to the other members of the Group the German rights under the Hukuang contract,<sup>94</sup> we send you herewith for your information copy of a memorandum filed with the Ministry of Communications on May 7, 1919, by the Groups' representatives in Peking.

Yours respectfully,

J. P. MORGAN & Co.

*For the American Group*

[Enclosure]

*Memorandum of the Representatives of the British, French, and American Groups to the Chinese Foreign Office*<sup>95</sup>

The Groups' Representatives find themselves at a loss to comprehend the proposal of the Chinese Government that, in order to acquire the rights vacated by the exclusion of the Germans, the British, French and American Groups should reimburse to the Chinese Government the amount of £1,500,000. This amount has already been received by the Chinese Government from subscribers to the bonds issued in Germany and has been expended by the Government on the construction of the Railway.

In the opinion of the Groups' Representatives the bonds and coupons of the German Issue remain a direct obligation of the Chinese Government.

The Groups' Representatives however desire to point out that the question raised by the British, French and American Ministers in their communication of the 25th of March to the Wai Chiao Pu<sup>96</sup> is not concerned with past operations but with future rights and

<sup>94</sup> Letter and enclosure referred to not printed; for Chinese terms see note No. 962 of Apr. 30 from the Chinese Acting Minister of Foreign Affairs to the American Minister, p. 582.

<sup>95</sup> Observations upon note of Apr. 30, p. 582.

<sup>96</sup> See despatch of Apr. 29 from Minister Reinsch, p. 579; also enclosure 1, p. 580.

interests in the Hukuang Railways in which, by reason of the war, co-operation with the Germans has become impossible.

They note from the letter of the Wai Chiao Pu dated 24th of April <sup>97</sup> that the Chinese Government

“welcomes the statement that Great Britain, France and the United States will unite in using their best endeavours to see that sufficient funds are furnished to ensure the completion of the Hukuang Railway, provided it is distinctly understood that such co-operation is confined to Great Britain, France and the United States.”

The present proposal for the co-operation of a Chinese Group appears to the Groups' Representatives to be in conflict with this declaration. They are of opinion that in any case the discussion, at the present moment, of the readjustment of interest necessitated by the exclusion of the Germans is premature, and that this question should be left in abeyance on the basis laid down in the Wai Chiao Pu letter of the 24th of April which has already been communicated to the three Governments concerned.

PEKING, 7 May, 1919.

893.51/2480

*The Minister in China (Reinsch) to the Secretary of State*

No. 2980

PEKING, September 3, 1919.

[Received October 17.]

SIR: Sometime ago the Chinese Government gave notice that the interest coupons of Hukuang Railway bonds, German issue, would not be paid except those that had previously been paid through the Hongkong and Shanghai Bank in London. As the issue is an international one, it was considered that such a refusal to pay interest due to *bona fide* holders, of other than German nationality, was not proper. I have the honor to enclose the draft of a note to the Foreign Office which is to be sent in jointly by my British and French colleagues and myself.

I have [etc.]

PAUL S. REINSCH

[Enclosure]

*Draft of Note of the American Minister (Reinsch) to the Chinese Acting Minister of Foreign Affairs (Ch'en Lu)*<sup>98</sup>

SIR: I have the honour to acknowledge receipt of Your Excellency's note of the 11th June <sup>99</sup> regarding payment of interest and

<sup>97</sup> *Ante*, p. 581.

<sup>98</sup> Note to be sent jointly to the Foreign Office by the American, British, and French Ministers in China.

<sup>99</sup> *Ante*, p. 584.

repayment of principal of Tientsin-Pukow and Hukuang Railway Bonds. Your Excellency informs me therein that bonds of those issues, other than those on which interest has been paid by the Hongkong and Shanghai Bank in London from September 3rd, 1917 to March 31st, 1919, will be regarded as being held by enemy subjects and therefore as being neither negotiable nor valid.

On receipt of that note I at once communicated its contents to my Government, by whom I am now instructed to protest against this decision of Your Excellency's Government.

As regards differentiation between bonds of which coupons have previously been paid and those which have not this protest is based on the following grounds:

1. It would be practically impossible to make a list of numbers already paid.
2. The Stock Exchange[s] would object to any arbitrary difference being made in value of bonds with the exception of a difference based on enemy ownership.
3. Investors would not understand refusal to pay interest on bonds bearing certain numbers, while paying bonds of same issue bearing other numbers.
4. It would be impossible to place any future Chinese securities in foreign markets if a certain number are to be arbitrarily made valueless.

As regards the Hukuang Railway Loan in particular, it has to be observed that the Bonds and coupons of this loan have been internationalized, that is to say payment of interest and repayment of principal in each of four international centres is a direct obligation of the Chinese Government as expressly stated on coupons and bonds of this loan. As a consequence the Hongkong and Shanghai Bank in London, in its capacity of Clearing House, is not in a position to exercise supervision over bonds and coupons cashed at other centres and advised to it for clearance. The proposal to limit the payment of interest on German issued bonds to those of which the relative coupons have been paid in London is therefore clearly impracticable, since the internationalisation of these bonds makes them good delivery in the various centres where the relative coupons are payable indifferently as regards the place of issue, as each coupon explicitly states. It is on these terms that investors of the Allied and Associated countries as well as neutrals have bought these bonds, and the widespread injustice to *bona fide* holders which would result from carrying out the present instructions of the Minister of Communications makes it impossible, in my opinion, to justify the limitations now imposed on the grounds either of equity or policy.

I avail myself [etc.]

893.51/2353 : Telegram

*The Secretary of State to the Chargé in China (Tenney)*

WASHINGTON, October 3, 1919, 6 p.m.

With reference to your despatch 2881, July 7, 1919, was proposed note of June 26, 1919, sent to Chinese Foreign Office? <sup>1</sup> In this connection it is suggested that you take advantage of a favorable opportunity informally to impress upon the Chinese Government the effect which its proposed action will doubtless have upon its credit in foreign markets communicating to it the following which is the substance of a letter from the American Group expressing views with which the Department is in accord.

The American Group states that having received no notification that the Chinese Government has receded from its position it has had no recourse but to refuse payment on all coupons of the German issue which do not fall within the excepted class, but has indicated that such refusal was rendered necessary by reason of a situation which is subject of negotiation and may be changed. The American Group states that it has refrained from formally notifying the New York Stock Exchange of the attitude of the Chinese Government in view of the undoubtedly harmful effect such attitude will have upon any future issue of Chinese securities in this market. The Group believes that a strong protest should be made against the injustice of China's position and its effect on her credit in view of her present wish to place a substantial loan in America.

LANSING

893.51/2480 : Telegram

*The Secretary of State to the Chargé in China (Tenney)*

WASHINGTON, December 3, 1919, noon.

With reference to Department's October 3, 6 p.m. and your despatch No. 2980 of September 3, American Group informs Department that next payment of interest coupons on Hukuang loan falls due December 15th when question of status of German issue will again arise. It is desired that you report immediately as to the nature and result of Legation's representations to the Chinese Government in this matter.

LANSING

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<sup>1</sup> No communication answering this question has been found in the Department files.

893.51/2577 : Telegram

*The Chargé in China (Tenney) to the Secretary of State*

PEKING, December 11, 1919, 11 p.m.

[Received December 11, 6.55 p.m.]

Replying your telegram of December 8, 4 p.m.<sup>2</sup> No official reply to my numerous inquiries has been procurable but I am reliably informed from official sources that the policy already announced will be adhered to excepting that where holders can prove non-enemy ownership throughout war period the validity of bonds will be recognized. Owing to lack of official decision in regard to details I am unable to state procedure on the next payment date but the final decision will be as described including payment of accrued interest and principal. Proceeds of bonds adjudged to have been in enemy hands during war will be credited against indemnities.

TENNEY

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**Operation of the Chinese Eastern Railway: Agreement between the United States and Japan for an Inter-Allied Committee and a Technical Board under the Presidency of Mr. John F. Stevens; Acceptance of the Plan by the Allied Governments; Acceptance by the Chinese Government with Reservations as to Its Special Rights—Scheme of International Financial Support; Contribution of the United States—Japanese Suggestion of a Change of Gauge of the Harbin-Changchun Line; Disapproval by the United States—Attempt of General Semenov to Obtain Control; Opposition of the United States**

861.77/611 : Telegram

*The Ambassador in Japan (Morris) to the Acting Secretary of State*

Tokyo, January 9, 1919, 12 midnight.

[Received January 10, 7.10 p.m.]

As reported in my January 9, 7 p.m.<sup>3</sup> immediately upon receipt of a copy of Stevens' <sup>4</sup> telegram to the Department accepting plan for operation of the railways, I called upon the Minister for Foreign Affairs and informed him that the plan would be approved by our Government. I acted quickly because two days ago my British colleague received instructions to submit [different?] plan and urge its acceptance. Fortunately the instructions were so garbled that he was compelled to ask for a repetition, and thus I was enabled to counsel with the Minister for Foreign Affairs before my British colleague was in a position to carry out his instructions. I have just notified him that the matter is concluded and he tells me that

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<sup>2</sup> Not printed.

<sup>3</sup> *Foreign Relations*, 1918, Russia, vol. III, p. 306. The plan of operation is described in preceding telegrams from the Ambassador printed in the same volume.

<sup>4</sup> John F. Stevens, Chairman of the Advisory Commission of Railway Experts to Russia.

he will not act upon the repeated telegram when received, and he assumes that you will now cordially endorse the agreement which we have reached with Japan.

I submitted to Viscount Uchida<sup>5</sup> and obtained his approval of following memorandum of points which we had previously discussed and agreed on:

“1. That Viscount Uchida will forward the amended plan to Viscount Ishii<sup>6</sup> with instructions to present it to the Department of State, and to explain that it is submitted with the understanding that Mr. Stevens be named as president.

2. That the Inter-Allied Committee shall be composed of one representative of each of the following Governments: China, France, Great Britain, Italy, Japan, Russia and the United States, leaving question of Czecho-Slovaks to be discussed.

3. That each of the above named Governments shall select one technical railway expert for membership on the Technical Board.

[4.] That Mr. Stevens' selection as president shall not prevent his selection as a member of the Technical Board.

5. That the Government of Japan and the United States shall at once advise the above named Associated Governments of agreed plan, including the understanding in reference to the selection of Mr. Stevens, and request their adherence and cordial cooperation.

6. That this plan shall be interpreted as a sincere effort to join the Chinese-Eastern and Trans-Siberian Railways in the interest of the Russian people with a view to their ultimate return to those in interest without the impairing of any existing rights.

7. That in trusting to Mr. Stevens as president the technical operation of these railways, it is understood the Government[s] of Japan and the United States are both prepared to give him the authority and support which will be necessary to make his efforts effective.”

Viscount Uchida suggested that our two Governments might agree to instruct their Ambassadors to join in advising the Associated Governments of the understanding reached. He further expressed the hope that I would go to Vladivostok to assist in the preliminary arrangement. Stevens also telegraphed as follows: “Presume matter should be closed up at Vladivostok and you should be there by all means.”

I would appreciate the Department's judgement as to the wisdom of my leaving for Vladivostok in the near future. In the event of my going I would request authorization to take with me Thomas Smith, one of the coding clerks who speaks Russian, and Ballantine, who speaks Japanese.

MORRIS

<sup>5</sup> Japanese Minister for Foreign Affairs.

<sup>6</sup> Japanese Ambassador at Washington.

861.77/631 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, January 20, 1919, 10 p.m.

[Received January 21, 6.16 a.m.]

Is it your desire that I should inform the Chinese Government of the terms of the agreement concerning Siberian and Chinese Eastern Railway[s]? How will the invitation to appoint a member on the railway commission be conveyed to the Chinese Government? The Chinese have informally asked for information.

REINSCH

861.77/631 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, January 22, 1919, 6 p.m.

Your January 20th 10 P.M.

You may advise Chinese Government informally and orally of the terms of the railway agreement together with memorandum agreed to by Mr. Morris with Viscount Uchida and state that Mr. Morris has been authorized to proceed to Vladivostok to settle preliminary arrangements. You will be instructed further when formal approval is given.

POLK

861.77/659

*The Chinese Legation to the Department of State*

[The following translation of a telegram from the Chinese Ministry of Foreign Affairs to the Chinese Chargé was left at the Department by the Chargé, February 4, 1919.]

With reference to the Manchurian Railway you will please bring the following considerations to the attention of the American Government:

1. In the proposed plan of unifying the Trans-Siberian, Ussuri and Manchurian Railways under an Inter-allied Committee, the Manchurian Railway stands on a different footing from the other two. This Railway was constructed under a concession granted by the Chinese Government to the Russo-Chinese Bank, and is a joint enterprise of China and Russia. Now Russia, on account of internal troubles, has lost control of the Railway. In accordance with the Chinese Eastern Railway contract China should assume control of the Railway. A third party has no right to interfere.

2. The Chinese Government, upon assuming control of this railway, should be responsible for its operation and maintenance; and the Ministry of Communications should send foreign engineers now

employed by the various Chinese Railways to manage the affairs of the Railway and may avail itself of the services of the engineers from the United States who have been detailed for special duty in connection with the Chinese Eastern Railway.

3. The Inter-allied Committee remaining as it now stands, China should carry out the policy of that Committee.

4. China has already sent troops to protect the Railway, and the protection of the Railway should remain in the hands of China.

PEKING, *January 26, 1919.*

861.77/660

*The Chinese Legation to the Department of State*

[The following translation of a telegram from the Chinese Ministry of Foreign Affairs to the Chinese Chargé was left at the Department by the Chargé, February 4, 1919.]

The Chinese Government hereby proposes a plan for the complete control and reorganization of the Chinese Eastern Railway.

It is proposed to appoint, in addition to the Director General, one General Manager for the Railway with executive powers and reorganize all the important Departments by putting foreign engineers now employed by the various Chinese Railways in charge, retaining as many as possible of the American engineers employed by the previous Russian Government and also those employees who are Russians.

The object of this plan is to maintain the sovereign rights of China and at the same time to render the Railway efficient, in accordance with the American plan.

PEKING, *January 30, 1919.*

861.77/660 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, *February 4, 1919, 7 p.m.*

Chinese Government has presented here a proposal to modify the arrangement which we have now under consideration for operation and control of the Trans-Siberian Railroad. One suggestion of theirs is that the Chinese Eastern shall be operated by them as a separate unit. They have been answered that we probably will agree to the arrangement with Japan which we have been considering for some months and that under it Chinese interests will be fully protected and that we will give them a copy of the plan immediately that it is agreed upon.

You will please take some favorable opportunity to suggest to them the wisdom of abiding by the advice of this Government at this



time, and assure them that Chinese interests are taken care of in the same manner as are those of the other governments which have participated in military activity in Siberia.

POLK

861.77/658 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, February 6, 1919, 3 p.m.

[Received February 6, 1.55 p.m.]

Your telegram of February 4, 1 [7] p.m. While waiting final instructions I have already, when questioned by Chinese officials, made the suggestion indicated by you, namely, that the arrangements made here would relate only to Russian rights and will leave Chinese rights in the railway exactly as they are. Property and administration were in the hands of Russians with formal Chinese participation through a Chinese director general. Polite consideration of this official will obviate any possible difficulties. Chinese here understand and do not object to agreement. Opposition may be stirred up by interested parties but will not be serious.

REINSCH

861.77/735g

*The Acting Secretary of State to the Japanese Ambassador (Ishii)*

WASHINGTON, February 10, 1919.

EXCELLENCY: I have the honor to acknowledge the receipt of your note of January 15, 1919,<sup>7</sup> with which you presented to me January 16, 1919, under instruction from your Government, the plan of supervision of railways in the zone in which the Allied forces are now operating in Siberia.<sup>8</sup> I beg also to inform you that the memorandum handed by the American Ambassador at Tokio to Viscount Uchida,<sup>9</sup> covering seven separate questions relating to the plan upon which the Ambassador and Viscount Uchida have reached a thorough understanding, as you mentioned to me, confirms the understanding which the Department had already received from Ambassador Morris.

In notifying you of the acceptance by this Government of the general plan which you have presented, with due reservation as to any financial responsibility which may be involved and which, it is suggested, shall be the subject of further discussion, I wish to express

<sup>7</sup> Not printed.

<sup>8</sup> See *Foreign Relations*, 1918, Russia, vol. III, pp. 301-302.

<sup>9</sup> See telegram of Jan. 9 from the Ambassador in Japan, p. 590.

my gratification that our two Governments have reached a cordial and clear understanding upon a matter which so much concerns the welfare of Russia. I wish also to inform you that this Government approves the memorandum agreed to by your Government with the American Ambassador at Tokio.

At the same time allow me to point out the clear understanding which this Government has as to the interpretation to be placed upon the word "interests" in the next to the last sentence of Section three of the plan for the supervision of the railways. The United States understands that the word "interests" in this case, is used as referring to the convenience of the respective Allied powers and the United States, and not as implying any political or territorial rights or spheres of influence. As is so clearly stated in the memorandum to which I have referred above, the plan is to be interpreted as a sincere effort to operate the Siberian railway system in the interest of the Russian people, and I am already aware of the sincere and friendly purpose which your Government has in furthering this intention.

I may add that the American diplomatic representatives at London, Rome, Paris and Peking are being instructed today to communicate formally to the Governments to which they are accredited, our approval of the plan for the supervision of the railways, and of the memorandum relating to the plan which have resulted from the negotiations between Viscount Uchida and the American Ambassador at Tokio; and to secure the approval and support of the respective Governments concerned. They have also been instructed to communicate their action to their Japanese colleagues.

Accept [etc.]

FRANK L. POLK

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861.77/675a : Telegram

*The Acting Secretary of State to the Chargé in Japan (MacMurray)*

WASHINGTON, *February 10, 1919, 4 p.m.*

Following instructions sent today to Embassies London, Paris and Rome. Please note and repeat to Ambassador Morris and to Peking, furnishing Peking with texts of plan and of memorandum: "Department has notified Japanese Ambassador here today, officially, that United States accepts the plan for the supervision of the Siberian Railways, including the Chinese Eastern, in the zone where the military forces of the Allies are now operating in Siberia, on the understanding set forth in a memorandum handed to Viscount Uchida by the American Ambassador at Tokio and agreed to by the former, with due reservation as to any financial responsibility which may be involved and which it is suggested shall be the subject of

further discussion. The memorandum in question was quoted in Department's telegram January 13 to Embassy at London<sup>10</sup> to repeat to Rome and Paris. The text of memorandum as presented now by Japanese Embassy in second caption omits words 'to be discussed' in reference to Czecho-Slovaks which Department considers does not modify meaning. In note of acceptance to Viscount Ishii attention was called to financial reservation and to the interpretation to be placed on the word 'interests' as used in next to last sentence of section 3 of the plan and statement made that United States understands the word in this case is used as meaning the convenience of the respective Allied Governments and the United States and not as implying any political or territorial rights or spheres of influence and that, as is stated so clearly in the memorandum, the plan is to be interpreted as a sincere effort to operate the railways in the interest of the Russian people.

Please formally notify Government to which you are accredited of action taken and communicate copy of plan and memorandum including in your communication reference to financial reservation and to this Government's interpretation of the word 'interests' as described above. Notify your Japanese colleague of these instructions and of action you propose to take. In communicating plan to Government to which you are accredited please say that this Government hopes very much to learn that the plan is approved and will be supported by the cordial cooperation on the part of the Governments concerned which is necessary for its success."

POLK

861.77/684 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, February 18, 1919, 1 p.m.

[Received February 19, 2 a.m.]

The Russian Minister states that since the body exercising legal authority over the Chinese Eastern Railway is the Pravlinia [*Pravlenie*] or Administrative Board organized 1917 to take the place of Petrograd Governing Board, it should be consulted with respect to proposed international control. Board is composed of six Russians, two Chinese, including Kolchack,<sup>11</sup> Ostrogoff<sup>12</sup> and Governor Kuo.<sup>13</sup>

<sup>10</sup> Not printed.

<sup>11</sup> Admiral Alexander V. Kolchak, Dictator of the all-Russian government at Omsk.

<sup>12</sup> Undoubtedly L. A. Ustrugov, Minister of Ways of Communication in the government at Omsk.

<sup>13</sup> Kuo Hsiang-hsi, Civil Governor of Kirin; appointed President of the Chinese Eastern Railway in 1918.

Chinese Minister of Railways stated China willing to accept control international commission but desires administration Chinese Eastern Railway be put in the hands of Chinese experts. I stated that as the proposed arrangement was made on the basis of existing legal rights there would probably be some objection to turning the administration over to the Chinese Government, although employment of Chinese might be favorably thought of.

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REINSCH

861.77/685 : Telegram

*The Ambassador in France (Sharp) to the Acting Secretary of State*

PARIS, February 19, 1919, 7 p.m.

[Received February 19, 5.41 p.m.]

7314. Your undated telegram 7355.<sup>14</sup> The instructions of the Department have been carried out and Embassy is now in receipt of an acknowledgment from the Foreign Office stating that it can only give its full and complete approval to the plan submitted and assures the Government of the United States of the most cordial cooperation of the French authorities in Siberia with the certitude that they will collaborate with the greatest good will towards a solution in any questions of a military or technical nature which may arise in the application of the plan.

SHARP

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861.77/684 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, February 21, 1919, 6 p.m.

Your February 18, 1 p.m. This government believes that its repeatedly expressed statements apply, namely, that neither the Bolshevik movement nor the presence of international military assistance in Siberia is considered as having modified any previously existing rights by whomsoever held. Consequently in our opinion the status of the Administration of the Chinese Eastern Railway is considered to be that which existed prior to the Bolshevik uprising. This Government has never recognized the administrative board to which you refer, and which was organized subsequent to the Bolshevik uprising of November 1917, as modifying previous existing rights of either Russia or China.

Referring to recent instructions regarding attitude of China on same subject, please take firm position with Chinese Government

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<sup>14</sup> Not printed; see telegram to the Chargé in Japan, Feb. 10, p. 595.

and say we believe China should cooperate fully and without reservation in making effective the principles agreed upon by Japan and the United States in plan for restoring railways.

Repeat these instructions to Ambassador Morris at Vladivostok together with text of your February 18, 1 P.M. for his information and guidance. Keep him closely advised of all developments.

POLK

861.77/697

*The British Chargé (Barclay) to the Acting Secretary of State*

No. 145

WASHINGTON, February 24, 1919.

SIR: With reference to your note of February 11th,<sup>15</sup> transmitting copy of a plan for the supervision of the Siberian Railways, which has now been formally accepted by the United States Government "with due reservation as to any financial responsibility involved which shall be the subject of further discussion" I have the honour to inform you of the great satisfaction with which His Majesty's Government have learned of the conclusion of the negotiations between the Governments of the United States and Japan, and to add that the United States Government may rely upon the cordial cooperation of His Majesty's Government in making the scheme of control a success.

His Majesty's Government express the hope that arrangements may be made for an early meeting of the various boards to be set up and that the United States Government will instruct their representatives accordingly.

Among the first questions for solution is that of finance and His Majesty's Government understand that the United States Government agree that it is a question which can best be dealt with on the spot.

I have [etc.]

COLVILLE BARCLAY

861.77/710c: Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, February 27, 1919, 6 p.m.

Impress upon the Chinese Government importance of formal approval of the plan for operation of Siberian railways and prompt designation of representatives on commission. The plan as submitted has now been formally approved by Great Britain and France as well as by the United States and Japan and consequently has gone too far for any modification of principle.

POLK

<sup>15</sup> Not printed; see telegram of Feb. 10 to the Chargé in Japan, p. 595.

861.77/693

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2557

PEKING, *February 28, 1919.*[*Received April 7.*]

SIR: I have the honor to report that after receiving your telegraphic instructions of February 10th, 4 p.m., transmitted through Tokyo,<sup>16</sup> I arranged with the Japanese Minister to inform the Foreign Office. This was done in accordance with the clause in the memorandum that the Governments of the United States and Japan would inform the other associated governments. In a personal conversation with the Vice Minister for Foreign Affairs I presented a copy of the agreement and memorandum making also the reservations with respect to the financial arrangements. A copy of the memorandum of the oral remarks made in addition to handing in the text as stated, is herewith forwarded.<sup>17</sup> The Japanese Minister added his support. He had not at that time been authorized to make a statement with respect to the interpretation of the term "interests"; but on the next day he received instructions and expressed to the Foreign Office the concurrence of his government with that interpretation.

The Vice Minister brought forward the considerations which have already been presented to you by the Chinese Legation at Washington. I simply emphasized the fact that the present arrangement rested upon an absolute respect for all existing rights. On the afternoon of the same day I had an interview with Mr. Tsao Ju Lin, Minister of Communications. With him I went quite fully into the desirability of an early and complete cooperation on the part of China. He emphasized particularly the feeling that in the use of experts on the Chinese Eastern Railway a preference should be given to Chinese railway men. To his argument that under the Chinese Eastern Railway contract China was entitled to take over the administration of the railway, I replied that while China might have an equitable right to do so if no improvements were made, the arrangements proposed were in accord with all the existing treaty rights relating to the matter.

Under date of February 20th the Foreign Office sent a written reply, a copy of which is herewith enclosed.<sup>17</sup> It will be seen that the Chinese Government continues to insist upon its right, as a partner in the Chinese Eastern railway and as territorial sovereign, to take over the administration of the railway on account of the breakdown of the Russian administration. While accepting the new

<sup>16</sup> Not printed; see telegram of Feb. 10 to the Chargé in Japan, p. 595.

<sup>17</sup> Not printed.

railway agreement in principle and appointing representatives on the various committees, the Chinese Government suggests "that it is its duty and right that the trained expert whom it may depute as its representative on the Technical Board should be of equal rank and authority with the head of that Board." This of course I could not accept or in any way encourage. The desire of the Chinese Government that the Chinese military police now functioning along the railway should continue to fulfil the duty of protection is on the other hand undoubtedly justified.

Under date of February 25th I sent to the Foreign Office an answer, copy of which is herewith enclosed.<sup>16</sup> I also sent a copy to the Japanese Minister, requesting his support. He has informed me that he would take the same position and write to the Foreign Office in the same sense. After the transmission of this note to the Foreign Office I sent a copy of it to the Minister of Communications, through Mr. C. L. L. Williams,<sup>17</sup> who had a conversation with him.<sup>18</sup> I had instructed Mr. Williams to make plain to Mr. Tsao that while the American authorities were undoubtedly predisposed to give the most favorable treatment possible to the Chinese Government, an arrangement such as suggested of having two heads to the Chinese Eastern Railway was out of the question. Mr. Williams reported that Mr. Tsao seemed to regard my answer as final. He confined himself to expressing the quite justifiable hope that as far as possible Chinese railway experts should be given a chance to cooperate in the administration of the railway.

As to the functions of the existing Chinese Director-General, they are purely inspectional. He has a right to be informed and to report to the Chinese Government concerning the administration and to enter objection should he believe that Chinese rights are disregarded. I believe that with tactful and considerate treatment full cooperation from the Chinese officials can be secured.

I have now been informed that the Chinese Government assigned Mr. Liu Ching Jen to be its member on the Inter-Allied Committee, and that Dr. Jeme Tien Yow,<sup>19</sup> the engineer in chief of the Hukuang railways, has been appointed a member of the Technical Board. These designations would seem to indicate on the part of the Chinese Government a desire for hearty cooperation. Dr. Jeme is not only American educated but has always had close relations with American engineers and engineering developments.

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<sup>16</sup> Not printed.

<sup>17</sup> Second Secretary of Legation in China.

<sup>18</sup> See p. 603.

<sup>19</sup> Better known by the Chinese as "Chan Tien-yu".

There is herewith enclosed a copy of an editorial from the *Peking Leader* of January 26th which voices the original opposition to inter-Allied control of the Chinese Eastern Railway.<sup>20</sup>

I have [etc.]

PAUL S. REINSCH

861.77/707 : Telegram

*The Ambassador in Japan (Morris), Temporarily at Vladivostok, to the Acting Secretary of State*

VLADIVOSTOK, February 28, 1919, 11 p.m.

[Received March 3, 5.30 a.m.]

Both Mr. Stevens and I have had informal talks [with] Japanese representatives here covering Mr. Stevens' tentative agreements for the operation of the railways and the policy he will adopt in using foreign experts as provided in the railway agreement.

Mr. Stevens has indicated in a general way that he contemplates requesting the Japanese experts to operate under his supervision the line from Changchun to Harbin and also all of the Amur Railway. On the main line of the Chinese Eastern and Trans-Siberian he proposes to introduce a unified and modern system of train despatching which will require in the beginning the supervision of the men of the Russian Railway Service Corps with whom, however, he proposes to associate Japanese and other foreign experts so that they may as quickly as possible learn the system and ultimately assume sole responsibility for some of the divisions into which he expects to divide the main line.

It seems to me that such an agreement is a full and generous compliance with the assurance which Mr. Stevens and I both gave to Viscount Uchida that due consideration would be given to Japan in the use of foreign experts and that we would welcome their help and cooperation. The Japanese representatives appear greatly dissatisfied [with] this general scheme and while not directly saying so have very definitely conveyed the impression that they desire and expect Mr. Stevens to turn over to their sole supervision a substantial portion of the Chinese Eastern. As Mr. Stevens has so often pointed out the main line cannot be placed under different systems of operation without defeating the whole object of the agreement. The agreement applies with equal force to the request of the Chinese Government in regard to control of the Chinese Eastern. We are holding firm to this position and hope that the Japanese representatives will recognize the reasonableness of it. In the meantime Mr. Matsudaira<sup>21</sup> is urging delay: (1) that no formal acceptances have been

<sup>20</sup> Not printed.

<sup>21</sup> Tsuneo Matsudaira, Japanese representative on the Inter-Allied Committee.



received from France or Italy and (2) that China has refused to join in the agreement. As all the representatives including China's will be here by Monday I am urging Mr. Ostrougov<sup>21</sup> to call a meeting at that time which I hope will proceed to formal organization without further delay.

MORRIS

861.77/714 : Telegram

*The Ambassador in Italy (Page) to the Acting Secretary of State*

ROME, March 5, 1919, noon.

[Received March 6, 2.20 a.m.]

2673. Department's 2022 March 3, 5 p.m.<sup>22</sup> Embassy has received today note signed by Under Secretary of State for Foreign Affairs accepting Siberian Railway plan. Note dated March 4th reads:

"In reply to the note of February 12th ultimo<sup>23</sup> I have the honor to inform Your Excellency that the Royal Government has adhered to the plan of the Imperial Government of Japan for the control of the Eastern Chinese [*Chinese Eastern*] and Trans-Siberian Railways in the zone of operation of the Allied military forces with the financial reservations made by the Government of the United States and with the same interpretation of the word 'interests' desired by the American Government."

NELSON PAGE

861.77/780½

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2604

PEKING, March 18, 1919.

[Received April 21.]

SIR: I have the honor to enclose copies of a memorandum of a conversation between the Minister of Communications and Mr. C. L. L. Williams. When my reply, dated February 25th,<sup>22</sup> to the note in which the Chinese Government attempted to make reservations concerning the Chinese-Eastern Railway had been handed to the Acting Minister, I immediately sent Mr. Williams to talk over the matter with the Minister of Communications. The results of his conversation are given in the enclosed memorandum.

The important matter is—Mr. Tsao Ju-lin accepted the note of February 25th as final.

I have [etc.]

PAUL S. REINSCH

<sup>21</sup> Undoubtedly L. A. Ustrugov, Russian representative on Inter-Allied Committee.

<sup>22</sup> Not printed.

<sup>23</sup> Not printed; see telegram of Feb. 10 to the Chargé in Japan, p. 595.

[Enclosure]

*Memorandum of an Interview between the Chinese Minister of Communications (Ts'ao Ju-lin) and the American Second Secretary of Legation (Williams), February 26, 1919*

Mr. Williams called on the Minister of Communications by appointment to present to him a copy of the Legation's reply to the Foreign Office dated February 25th, 1919, in reply to the suggestion of the Foreign Office that in the Technical Board operating the Chinese Eastern Railway the Chinese Delegate should have equal rank with the Chairman of the Board. Under the instructions of the American Minister in handing the Legation's reply to Mr. Tsao, Mr. Williams stated first, that the Board would assume control only of those functions hitherto carried out by the Russian authorities, and that the pre-existing Chinese rights in this railway were in no way affected by the present proposals; second, that while the American Government recognized fully the special interest of China in this line and sympathized with her desire to take a prominent part in the temporary management thereof now proposed, it was an essential feature of the general plan of the operation of the Siberian railways made necessary by the exigencies of the Siberian situation, that the Chinese Eastern Railway should be operated as an integral part of the Siberian railway system, and that therefore any special and individual control arrangements for this line were impractical. Mr. Williams added that the Legation felt sure that in view of the special Chinese interests in the line, Mr. Stevens and the Technical Board would consider favorably the employment of the maximum number of qualified Chinese as Technical Experts under the Board. In reply, Mr. Tsao reiterated the Chinese view that inasmuch as the Chinese Eastern Railway is a joint Sino-Russian undertaking, if the Russian partner should prove unable to carry on his functions under the contract, the Chinese partner would naturally assume them until the Russian partner was again in a position to do so, and asked if the Legation's present reply was to be considered final. Mr. Williams replied that while the negotiations were not directly in the hands of the Legation at Peking, and while any special considerations which Mr. Tsao might care to bring forward could be submitted to the government at Washington, there was no reason to believe that the decision to include the Chinese Eastern Railway under the general scheme of control would be modified.

Mr. Tsao thereupon appeared to accept the matter as a *fait accompli*. He asked if Mr. Williams' remarks in regard to the employment of Chinese technical men were to be taken as a promise by the Legation. Mr. Williams replied that the Legation was not in

a position to make any definite promises in this regard as this question would have to be dealt with by the Technical Board; his remarks were to be taken simply as representing the attitude of the American Government representative on that Board. Mr. Tsao thereupon expressed the hope that there would be no interference with the Chinese right to guard the railway, and asked that this point be brought to the attention of the American Government. He added that in the past the expenses of the railway guards had been met out of the revenues of the line and requested that this practice be discontinued.

In the course of the conversation Mr. Tsao explained that the Chinese Government had no desire to take advantage of Russia's present weakness to seize the Russian rights in the line; the sooner Russia again became in a position to assume her duties under the Chinese Eastern agreement, the better pleased China would be; it was simply that [because?] Russia at the present moment is not able to carry out her duties, China feels that it is her right and duty to assume them.

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861.77/781½

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2628

PEKING, *March 21, 1919.*

[*Received April 21.*]

SIR: I have the honor to enclose a note, dated March 18th, from the Foreign Office <sup>24</sup> dealing further with the Chinese Eastern Railway. The note reiterates the special interest which China has in this railway and informs me of the appointment of General Chia Tsenghsia to the post of Representative on the Military Transportation Board. It is apparent therefore that the Chinese Government accepts the arrangements made by the American Government with a reservation as to its special interest in the Chinese-Eastern Railway.

I have [etc.]

PAUL S. REINSCH

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861.77/784: Telegram

*The American Representative on the Inter-Allied Committee  
(Charles H. Smith) to the Acting Secretary of State* <sup>25</sup>

VLADIVOSTOK, *April 8, 1919, 6 p.m.*

[*Received 9.11 p.m.*]

205. That for the present and until financial condition can be definitely studied the members of the Inter-Allied Committee make the following recommendations:

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<sup>24</sup> Not printed.

<sup>25</sup> Forwarded by the Consul at Vladivostok.

1. Those Allied Powers who decide to offer financial aid for the purpose of improving the transportation on the Siberian and Chinese Eastern Railways, shall, as far as possible, limit their financial aid to the purchase of those materials, supplies and equipment which must [necessarily] be obtained in foreign countries, and to the payment of the expenses of Allied supervision.

2. The cost of the above mentioned purchases of materials and equipment shall be apportioned equally among the said Allied Powers and paid from the general funds which shall be from time to time requested by the Inter-Allied [Committee?] and advanced by the Governments interested.

3. The expense of the Allied supervision which shall include the salaries of the members of the Technical Board, the foreign Allied inspectors, assistant inspectors and other foreign assistants shall be fixed and paid for by the particular nation to which the said persons belong.

4. The salaries and wages of any employees specially engaged in the service for a purpose common to all members of the Technical Board shall be fixed by the Board and shall be paid from general fund advanced by the Allied Powers.

5. All other expenses, such as the payments of the salaries and wages of the Russian officials and employees of the said railways, et cetera, and the cost of additions and improvements, except those purchases named in section 1, shall be financed from Russian resources, provided such resources are found to be sufficient. If the Technical Board finds that the Russian resources are insufficient for the above expenses, then the Allied financial assistance can be utilized to the extent necessary to meet any emergency which would seriously imperil the successful operation of the railways. But in each emergency such aid shall be strictly limited to sums to be ascertained by the Technical Board and approved by the Inter-Allied Committee.

This [expenditure] if found necessary, shall be paid from the general funds provided by the Allied Powers and shall be equally borne by the said powers.

6. All expenses, as above outlined which will be paid by the Allied Powers shall be debited to the Russian people who are obligated to repay same.

Resolution regarding advance of money. Resolved, that in accord with the financial recommendations made by the Inter-Allied Committee an advance of \$20,000,000 gold is requested by the Committee from the Governments participating in the financing of the Russian railways. Of this sum \$4,000,000 shall without delay be placed in the Hong Kong Shanghai Bank, Harbin, to the credit of the Technical Board. The remaining \$16,000,000 will be held by the Government[s] subject to the order of the Inter-Allied Committee.

The above resolutions were unanimously passed by Committee after a consultation with Technical Board who are fully in accord. Committee has requested military commanders to decide questions of location of railway guards. The French commander now consents to participate in this meeting.

Repeated to Tokyo.

861.77/796 : Telegram

*The Ambassador in Japan (Morris) to the Acting Secretary of State*

TOKYO, April 17, 1919, 11 a.m.

[Received 2.34 p.m.]

The following received from Stevens:

"April 15, 8 p.m. Nagao<sup>26</sup> at first insistent I should approve change gauge Changchun line, until I told him matter private agreement for Japan and Russia. I would not even discuss it. Appointment Japanese inspector effective April 16. It may be they will turn to *coup*, change gauge which with their troops might prove successful, as I believe they have material and plant ready. Effect would be Russian uprising and destroy Allied agreement. Americans certainly get all discredit for move. Suggest, if advisable, Japanese Government be given hint. Matter must not be even discussed during time Allied supervision. Nagao leaving for Tokyo 16th."

I believe Stevens is right, that any effort by Japan at this time to change the gauge might jeopardize the entire plan of Allied supervision. Does the Department approve Stevens' suggestion, that I discuss this question with the Foreign Office?

MORRIS

861.77/796 : Telegram

*The Acting Secretary of State to the Ambassador in Japan (Morris)*

WASHINGTON, April 19, 1919, 8 p.m.

Your April 17, 11 a.m. Department concurs fully in Stevens' suggestion and furthermore believes that widening of gauge is inconsistent with specific understanding between Japan and the United States namely that the joint action in Siberia of the two governments shall not impair any rights by whomsoever held. You may so advise Stevens and discuss with Japanese Foreign Office along the lines suggested and say this Government is confident Government of Japan will concur.

POLK

861.77/910

*The Ambassador in Japan (Morris) to the Acting Secretary of State*

[Extract]

No. 415

TOKYO, May 27, 1919.

[Received June 27.]

SIR: I have the honor to report that since my return from Vladivostok in the early part of March, last, Mr. Stevens and Mr.

<sup>26</sup> Hampei Nagao, official of the Japanese Imperial Government Railways and Japanese representative on the Technical Board.

Smith have kept me fully informed by telegrams and reports of the progress made in the execution of the plan for the supervision of the Chinese Eastern and trans-Siberian Railways. Any facts reported which seemed to me of importance I have transmitted to the Department by cable. I am also aware that both Mr. Stevens and Mr. Smith have, as requested, communicated directly with the Department. It is not necessary therefore to attempt any detailed review of the progress made. It is my purpose in this despatch merely to supplement previous information and enclose a few selected documents taken from the Embassy files which I hope will throw additional light on the situation. I devoted the last few days of my stay in Vladivostok in an effort to find a ground of agreement between Mr. Stevens and Mr. Nagao in regard to the distribution of Japanese railway experts. Mr. Stevens' view was that in the interest of efficient management the fewer Japanese experts he employed, the better. Mr. Nagao, on the other hand, was greatly embarrassed by the pressure of the Japanese military authorities who were persistent in their demands that he should stand firm for full control of the operation of the entire Chinese Eastern system as well as the Ussuri and Amur Railways. Mr. Nagao was not in entire sympathy with the position of his own military authorities because as a technical railway man he realized that the American engineers were far more experienced in "long haul" problems than any of the men under his direction. He was fearful however that if he conceded too much he could not face the antagonism of the military group or the resentment of the Japanese public. After many extended discussions I reached a general understanding with Mr. Nagao which met the approval of Mr. Stevens. It was agreed that matters of detail should be worked out between them without any further interference from me so I left Vladivostok on the day arranged for their final interview. The result of this interview is reported in Mr. Nagao's letter and enclosure to me of March 11th which is attached herewith and marked "Exhibit No. 1". I confess I was surprised to find in Mr. Nagao's memorandum a reference to the possibility of changing the gauge of the line between Changchun and Harbin. This was never mentioned in our discussions. Mr. Stevens, however, seems to have fully protected his approval of this suggestion by the proviso which he added. . . .

I have [etc.]

ROLAND S. MORRIS

[Enclosure]

*The Director of the Japanese Imperial Government Railways  
(Nagao) to the American Ambassador (Morris)*

VLADIVOSTOK, *March 11, 1919.*

DEAR SIR: I have to express here my sincere appreciation of Your Excellency's kind efforts in connection with the Allied control of the Trans-Siberian Railway and the Chinese Eastern Railway, the efforts to which my country, as well as myself personally, are greatly indebted. I presume you will have safely arrived at Tokyo when this reaches to your hand. On the day you left here I had the pleasure of meeting Mr. Stevens and discussed on the subject of the railway control, the interview lasting fully for one and [one-] half hours. I am glad to be able to report to you that the result of the meeting was thoroughly satisfactory to both of us, a complete understanding having been obtained between the two.

My topics of conversation with Mr. Stevens covered the control by Japan of the Southern Branch of the Chinese Eastern Line and a portion of the line between Nikolsk and Habarovsk of the Ussurie Railway under the direct supervision of the President of the Technical Board. Placing of Japanese Inspectors along with American Inspectors appointed by the President has also been agreed to by Mr. Stevens. It was further agreed by Mr. Stevens that in order to utilize cars and engines, the former numbering some 800 and the latter more than twenty, in the Southern Branch line, Japan may take steps to standardize the gauge of the line under her control, provided the Russian Government consents to that. This involves a delicate diplomacy, and we have to be extremely cautious in bringing the matter up. As to leaving the control to the hand of the Japanese, Mr. Stevens also agreed to do it in near future when he comes to be satisfied with the Japanese handling of the traffic according to American Dispatch System.

In conclusion I wish to say that it is my earnest desire to have you continue your kind efforts in the future as in the past directly and indirectly to the end that our common endeavors will be successful in saving from collapse one of the world's greatest highways, a path from the Orient to the center of the European civilization, and at the same time promoting the interest of the Allied Powers, particularly of the Russian people, a realization of the spirit of international cooperation aimed at by the League of Nations formulated by your worthy President Wilson at Versailles.

Wishing [etc.]

H. NAGAO

[Subenclosure]

*Memorandum of the Director of the Japanese Imperial Government  
Railways (Nagao)*

Mr. Nagao agrees with the plan submitted by Mr. Stevens, except that portion bearing to the control of the section between Changchun and Harbin in the Chinese Eastern and the Ussurie Lines, which will be controlled by the Japanese directly under the supervision of the President of the Technical Board.

Mr. Stevens agrees to Japan's controlling the section between Changchun and Harbin and Nikolsk-Ussuriski and Habarovsk, provided trains between Nikolsk and Vladivostok be handled by American dispatchers in accordance with Japanese requests; and to have a Japanese office installed in the Vladivostok Station Building to handle the terminus station business in connection with the Ussurie Line.

Mr. Nagao agrees to Mr. Stevens' suggestions to have Japanese inspectors placed by the side of American inspectors in the Chinese Eastern Districts and Divisions east of Harbin in order to have them assist and cooperate with the latter, provided no other nationality be mixed for the sake of conveniences.

Mr. Nagao has no objection to placing Chinese experts by the side of American Division Inspectors to assist and cooperate with the latter in the portion of the line west of Harbin in the Chinese Eastern Line.

Mr. Stevens has no objection, if Japan wishes to control the whole of the Amour Line which is being guarded by the Japanese Military forces, such controlling to be done directly under the supervision of the President of the Technical Board.

Mr. Stevens has no objection to Japan's standardizing the gauge between Changchun and Harbin (provided the Russian authorities have no objection to [it]) in order to be able to utilize the cars and engines in other parts of the Chinese Eastern Line and Ussurie or Amour Line.

Mr. Stevens will leave the control of the Chinese Eastern Line, including the Ussurie Line, under the supervision of the President, to the hand of the Japanese, in case he should come in near future to be satisfied with Japanese handling by Dispatching System.

Mr. Stevens agrees to adopting what Japan thinks the best fitted for the lines under Japanese control in place of American dispatch system.



861.77/907 : Telegram

*The American Representative on the Inter-Allied Committee  
(Charles H. Smith) to the Acting Secretary of State*<sup>27</sup>

VLADIVOSTOK, June 24, 1919, 11 a.m.

[Received 11.16 p.m.]

367. Japanese have recently placed small detachments troops at some of the larger stations along Chinese Eastern Railroad in Manchuria. This was given Chinese to guard, and they have protested both to Inter-Allied Committee and Allied commanders. Japanese members of both organizations stated their troops are there only to repair their telegraph line constructed last autumn from Vladivostok to Chita. Have heard that Japanese commander said that one army division would guard the line from Chita to Tsitsikar and another from Tsitsikar to Pogranitchnaya, both divisions Japanese. Most of this lies in Manchuria. At the meeting inter-Allied commanders, the question was asked if any change has been made in locations of railway guards, and Japanese chairman replied negatively. The situation is being carefully watched.

Semenoff<sup>28</sup> until past week has been troublesome, claiming that according to Russian law he had control of railway. Japanese military guarding section refused to control him. Committee passed resolution written by Horvath<sup>29</sup> that operation of roads is trusted to Stevens and railway officials only and Military must not interfere. Horvath cited Russian law on the subject. Japanese promised to control Semenoff. The situation apparently better and interference stopped.

SMITH

861.77/914 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, June 28, 1919, 10 a.m.

[Received 10.40 a.m.]

Chinese Government requests early information as to whether American Government will advance \$1,000,000 Chinese share Siberian Railway loan. I am informed Japanese Minister called at Foreign Office stating his Government would be very glad to furnish this money. Chinese Government hopes American Government will

<sup>27</sup> Transmitted by the Consul at Vladivostok.<sup>28</sup> Gregory Semenov, Ataman of the Far Eastern Cossacks.<sup>29</sup> Dmitri L. Horvath, Russian Governor and General Manager of the Chinese Eastern Railway.

make the advance as it desires to maintain its independence in matter relating to the Siberian and Chinese Eastern Railway[s]. I beg to request an early and favorable reply.

REINSCH

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861.77/920 : Telegram

*The Acting Secretary of State to the President of the Technical Board (Stevens)*<sup>30</sup>

WASHINGTON, June 28, 1919, 4 p.m.

One million dollars deposited today for transfer to branch of National City Bank at Vladivostok to your credit as follows, "Inter-Allied Committee for Supervising Siberian Railways, John F. Stevens, President Technical Board." Three million dollars deposited to your credit in same way with Riggs National Bank in this city, as balance of American quota of twenty million dollars for purchase of supplies in this country and maintenance of American personnel connected with operation of railway plan. Inform Smith at once. Department will cable further details as to drawing on funds in this country. Unless you have serious objections Department would prefer that all your orders be placed through Director General of Military Railways and transmitted through Department. Director General of Military Railways as result of war procedure is equipped with adequate personnel and in close touch with all manufacturers and can act promptly. Hope to answer your June 22, 4 p.m.<sup>31</sup> concerning your own salary satisfactorily in a few days.

PHILLIPS

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861.77/914 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, July 1, 1919, 8 p.m.

Your June 28, 10 a.m.

The apportionment of the Siberian Railway loan among the powers able to participate rests primarily with the Inter-allied Commission at Vladivostok as a matter of joint concern and is subject to revision from time to time according to actual conditions. This Government has with some difficulty secured \$4,000,000 toward its own quota and has no available funds from which to advance China's share. The Department considers that China's share should be regarded as part of the common pool and that it is neither necessary nor desirable that it be assumed by any individual power.

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<sup>30</sup> Sent via the Consul at Harbin.

<sup>31</sup> Not printed.

The Department understands that the inability of China at this time to contribute to the joint operating fund will in no way prejudice her rights relating to the railways and that she is already substantially contributing in other ways to the successful working of the common plan.

PHILLIPS

861.77/910 : Telegram

*The Secretary of State to the American Representative on the Inter-Allied Committee (Charles H. Smith)*<sup>32</sup>

WASHINGTON, July 26, 1919, 12 noon.

Referring to arrangement between Stevens and Nagao relative to standardizing gauge of railway between Changchun and Harbin, provided the Russian authorities have no objection thereto. Please confer with Mr. Stevens and with Mr. Morris on his return and say that this Government cannot approve any such change, except it be decided by agreement with some duly constituted Russian Government recognized by the Associated Governments.

The Department does not wish to embarrass Mr. Stevens in his having reached a working agreement with Japan, but believes it necessary to point out that this Government interprets "The Russian authorities" referred to in the memorandum drawn up by Mr. Stevens and Mr. Nagao,<sup>33</sup> to mean a duly constituted Russian Government recognized by the Associated Governments.

LANSING

861.77/1009 : Telegram

*The President of the Technical Board (Stevens) to the Secretary of State*

HARBIN, August 11, 1919, 7 p.m.

[Received August 12, 9.20 a.m.]

Your cable of recent date to Smith about a (?) change of gauge. I have never made any agreement with anybody for such. On the contrary blocked such a proposition at least until after the end of Allied supervision. My letter of May 21 to Nagao: "As far as change of gauge is concerned you will recall that I distinctly said that it was a matter I could not discuss or even express an opinion upon. It was a matter for Russia and Japan as far as I was concerned, if Russia wanted it done I could have no objection."

By Russia meaning regular recognized government. . . .

STEVENS

<sup>32</sup> Sent via the Consul at Vladivostok.

<sup>33</sup> See memorandum of Nagao printed as a subenclosure, p. 609.

861.77/1019 : Telegram

*The President of the Technical Board (Stevens) to the Secretary of State*

HARBIN, August 15, 1919, 4 p.m.

[Received August 15, 12 noon.]

Chinese Government yesterday deposited \$500,000 gold Harbin my credit for use of Board.

STEVENS

861.77/1098 : Telegram

*The Consul at Harbin (Jenkins) to the Secretary of State*

HARBIN, September 25, 1919, 11 a.m.

[Received 5.45 p.m.]

From conversations with General Horvath and Chinese Taoyin I am led to believe that General Semenov is trying to secure control Chinese Eastern Railway zone. Taoyin says that he does not know details of the recent conference between Semenov and General Chang Tso-lin<sup>34</sup> at Mukden but there are rumors Mukden troops may replace Kirin troops now guarding railway, also that Semenov troops may come here, and further that Semenov is going to Tsitsihar to confer with Chinese Governor there. Understand Chang Tso-lin's relations with Japanese subject to suspicions and as he now controls all Manchuria it would be easy matter for him to replace Kirin troops on railway with his own and then let Semenov in. I feel this matter full of grave possibilities. Copies this despatch sent to Ambassador Morris and Legation at Peking.

JENKINS

861.77/1102 : Telegram

*The President of the Technical Board (Stevens) to the Secretary of State*

HARBIN, September 26, 1919, 8 p.m.

[Received September 26, 6.39 p.m.]

I am positive Semenov and Kalmarkoff<sup>35</sup> intend to take possession Chinese Eastern by force and with the many Japanese soldiers now on ground could do so as improbable Chinese would fight. This action would be fatal blow to all our good offices. There is some reason to believe that Chinese Government may be asked to appoint Semenov director of Chinese Eastern, [which] ought not to be permitted.

STEVENS

<sup>34</sup> Chinese Inspector General of Manchuria.

<sup>35</sup> Undoubtedly Kalmykov, Ataman of the Ussuri Cossacks.

861.77/1098 : Telegram

*The Acting Secretary of State to the Ambassador in Japan (Morris)*

WASHINGTON, October 1, 1919, 6 p.m.

Peking is being directed to repeat to you an instruction relative to Harbin's September 25, 11 a.m. and Stevens' report that the Chinese may be urged to appoint Semenoff Director of the Chinese Eastern Railway.

It is hoped that if you find any evidence of a disposition on the part of Japan to ask for such an appointment you will in your discretion emphasize that such action would be at variance with the policy of the Allies in supporting Kolchak and with their understanding in regard to the joint operation of the Siberian Railway system.

PHILLIPS

861.77/1098 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, October 1, 1919, 6 p.m.

Repeat to Tokyo the present telegram together with your telegram 398, September 24, noon,<sup>87</sup> forwarding message from Omsk with text of Soukine's<sup>88</sup> reply to Graves.<sup>89</sup>

From Harbin's telegram of September 25, 11 a.m., which was repeated Peking, Tokyo and from subsequent message from Stevens it appears that the Chinese Government may be approached with a view to arranging the appointment of Semenoff as Director of the Chinese Eastern. Under the circumstances indicated in the Omsk message referred to above such action would effectually remove that railway from the control of Kolchak who continues to receive the support of all the Allies operating in Siberia. It would moreover be incompatible with the plan of joint inter-Allied operation of the Siberian and Chinese Eastern Railways which is postulated upon the maintenance of the legal and political status of those railways without modification of previous existing rights by whomsoever held.

It is desired that you take occasion to intimate to the Chinese authorities informally and unofficially that it would appear extremely injudicious for China to take any action which would favor the semi-independent Cossack leaders of eastern Siberia, as against Kolchak or which would initiate any alteration of the status of the Chinese Eastern Railway.

PHILLIPS

<sup>87</sup> Not printed.<sup>88</sup> John Soukine, Acting Minister of Foreign Affairs in the Kolchak government, Omsk.<sup>89</sup> Maj. Gen. William S. Graves, commanding the American forces in Siberia.

861.77/1230 : Telegram

*The President of the Technical Board (Stevens) to the Secretary of State*

HARBIN, December 4, 1919, 11 a.m.

[Received 3.32 p.m.]

Chinese Eastern arranging with Japanese banks for loan of yen. All moves made by railway officials have tended to make financial situation as bad as possible with above end in view. I have no doubt plan is premeditated but it should not be allowed to materialize. If any foreign currency comes here as standard it should be Chinese but that Government is not strong enough without financial aid to supply necessary silver. I do not know policy of the United States but if it intends to keep the Open Door in Manchuria the Japanese plan if successful will deal it a fatal blow. Whoever controls railway will control trade of country including Siberia.

Repeated to Peking and Tokyo.

STEVENS

#### GRAND CANAL CONSERVANCY PROJECT

**Advance Loans by the American International Corp. to the Chinese Government for Preliminary Surveys**

893.811/282a : Telegram

*The Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, January 16, 1918, 7 p.m.

American International Corporation would like to carry on negotiations relative to advance for preliminary canal survey through channel of Chinese Legation here. Discreetly ascertain whether His Excellency Hsiung Hsi-ling<sup>40</sup> would have any objection. Please inform Hitchcock<sup>41</sup> and Gatrell.<sup>42</sup>

LANSING

893.811/284 : Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, January 21, 1918, 8 p.m.

[Received January 21, 4 p. m.]

Your January 16, 7 p.m. Have spoken to His Excellency, Hsiung, and he has authorized Chinese Minister by cable.

<sup>40</sup> Director General of the Grand Canal Improvement Board.

<sup>41</sup> F. C. Hitchcock, Vice President of the Siems-Carey Railway & Canal Co., in Peking.

<sup>42</sup> T. J. N. Gatrell, representative of the Siems-Carey Railway & Canal Co., in Peking.

As the advance is provided for in the main contract,<sup>43</sup> it is not clear what further negotiations necessary except arranging details of the advance.

REINSCH

893.811/287

*The Vice President of the American International Corp. (Tinsley)  
to the Secretary of State*

NEW YORK, *March 23, 1918.*

[*Received March 25.*]

SIR: I have the honour to lay before the Department, for its information, certain correspondence showing the measures the Corporation is prepared to take with reference to the improvement of the Grand Canal in China.

The Corporation would greatly appreciate it if the Department will be good enough to inform the Legation at Peking, by mail, of the substance of this correspondence, and begs to thank the Department now for its compliance with this request.<sup>44</sup>

I am [etc.]

R. P. TINSLEY

893.811/294

*The Vice President of the American International Corp. (Tinsley)  
to the Secretary of State*

NEW YORK, *May 1, 1918.*

[*Received May 4.*]

SIR: With reference to my letters of March twenty-third and March twenty-seventh,<sup>45</sup> I have the honour to inform the Department that the proposals made by the Corporation in its telegram, of March twenty-third, to the Chinese Minister have been accepted. The agreement thus constituted has been set out in an instrument which was signed by the Chinese Minister, on behalf of the Chinese Government, and by Mr. Stone, the President of the American International Corporation, on behalf of the Corporation, on May first. A copy of this instrument is enclosed to the Department herewith, and the Corporation requests that the Legation at Peking be so informed so that when the Treasury Note provided for by the agreement is presented to the Legation, the Legation will be duly informed and will at once cable the Corporation and The National City Bank, through the Department, the required notification.

<sup>43</sup> *Foreign Relations, 1917, p. 225.*

<sup>44</sup> Correspondence not printed; it was transmitted to the Minister in China, in instruction No. 780, Mar. 28, 1918.

<sup>45</sup> Neither printed.

With reference to the matter of Japanese participation in the Canal enterprise, the Corporation encloses herewith, for the information of the Department and for its archives, the following letters exchanged between the Corporation and the Representative in New York of the Industrial Bank of Japan: <sup>46</sup>

1. Letter to Mr. Ichinomiya dated March 23rd.
2. Mr. Ichinomiya's reply—March 26th.
3. Letter to Mr. Ichinomiya dated March 27th.
4. Mr. Ichinomiya's reply—March 28th.
5. Mr. Ichinomiya's letter of April 2nd.
6. Letter to Mr. Ichinomiya dated April 25th.
7. Mr. Ichinomiya's reply—April 26th.
8. Letter to Mr. Ichinomiya dated May 1st.

I have [etc.]

R. P. TINSLEY

[Enclosure 1]

*The Agent of the Yokohama Specie Bank, Ltd. (Ichinomiya) to the Vice President of the American International Corp. (Tinsley)*

NEW YORK, April 2, 1918.

DEAR SIR: Referring to our previous correspondence relative to the loan to the Chinese Government, I am now in receipt of a reply from the Industrial Bank of Japan to my cable in regard to the above matter, in which they state as follows:—

Telegram received Industrial Bank of Japan will participate wire amount and time of payment. Ono.

Will you kindly let me know at what time I may see you or Mr. Stone tomorrow in regard to the above matter, and oblige,

Yours very truly,

R. ICHINOMIYA

[Enclosure 2]

*Agreement between the Chinese Government and the American International Corp. for a Loan of Two Hundred and Fifty Thousand Dollars for the Preliminary Survey of the Grand Canal; Signed May 1, 1918*

This instrument negotiated and signed this first day of May, 1918, by the Republic of China by its duly authorized and accredited representative therefor, the Honourable V. K. Wellington Koo, Minister of the Republic of China to the United States, and the American International Corporation by its President Charles A. Stone, duly authorized thereto,

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<sup>46</sup> Of the letters listed, only No. 5 has been printed; see enclosure 1.



WITNESSETH:—

WHEREAS the American International Corporation made to the Government of China a proposal for a loan in the following terms:

“Notwithstanding the preference of the American International Corporation to perform independently and at its own expense the survey work necessarily preliminary to going forward with any work on the Canal project under the Canal Contract, nevertheless the American International Corporation will acquiesce in the desire of the Chinese Government to furnish funds itself for such preliminary survey work, and in order that Chinese Government may have such funds, the American International Corporation is prepared, if the Chinese Government so desires, to make a separate and distinct loan therefor and to this end to purchase at ninety-nine a One Year Treasury Note for Two Hundred and Fifty Thousand United States Gold Dollars. However, in order to secure uniformity of method in expenditure and accounting, the proceeds thereof are to be furnished, handled, and expended in every and all respects as if the funds realized were in advance under the Canal Contract which, however, does not and cannot become operative until sanctioned by Parliament. If Contract is so sanctioned, any financing done thereunder before Note is paid shall provide for its payment or conversion. The form of such a Treasury Note shall be as follows: ‘For value received the Government of China promises to pay to bearer, one year from the date hereof or thereafter on demand, Two Hundred and Fifty Thousand Dollars in Gold Coin of the United States, with interest at the rate of eight per centum per annum, payable semi-annually from date until paid. All payments of principal and interest shall be made in United States Gold at The National City Bank, New York City, United States of America.’ In accordance with agreement of which Chinese Government already notified, the Industrial Bank of Japan will be afforded opportunity to participate in this loan by furnishing American International Corporation five twelfths of funds advanced.”

and

WHEREAS the Government of China by and through its duly authorized and accredited representatives, the Honourable V. K. Wellington Koo, has accepted such offer, and has confirmed such acceptance as appears from the following letters:

AMERICAN INTERNATIONAL CORPORATION

120 BROADWAY

New York, April seventeenth, 1918.

“Mr. Minister: Mr. Dearing duly informed the Committee in charge of the Corporation’s enterprises in China of the reply of His Excellency Hsiung Hsi Ling to the proposals made in the Corporation’s telegram of March twenty-third, which Your Excellency was good enough to transmit to Peking, and of his acceptance of all of them save the proposal as to the rate of interest which he desired reduced from eight to seven per cent.

The Committee has again carefully considered the factors influencing it to propose the rate of eight per cent. in the first instance and it is convinced that the decision it then arrived at as fair and equitable is still so and that the rate should not be reduced. As Mr. Dearing informed Your Excellency when he received from you the Director General's message, it is extremely difficult to secure money at the present time at any price. The difficulty is increasing and may soon be further augmented by governmental restrictions, and interest rates may go even higher. In view of this situation and the fact that the demand for money in all quarters is urgent, I trust you will be good enough to inform your Government the Corporation regrets it cannot alter its proposals as originally made but must request interest at the rate of eight per cent.

In so informing the Director General allow me to ask you to lay before him the financial situation as I have described it. Allow me also to offer the opinion that his acceptance of the rate proposed should be immediate if greater difficulties and higher rates are to be avoided. An immediate acceptance of the Corporation's proposals as they stand is also essential to the prompt initiation of the projected Canal surveys. The Corporation hopes, therefore, that it will very shortly be informed that your Government finds the Corporation's proposals acceptable in all respects.

I am, my dear Mr. Minister,  
Yours very sincerely,

R. P. Tinsley,  
Vice-President

His Excellency  
V. K. Wellington Koo,  
The Chinese Minister,  
Washington, D. C."

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CHINESE LEGATION

Washington, April 22, 1918.

"Mr. Richard P. Tinsley, Vice-President,  
American International Corporation,  
120 Broadway, New York.

Dear Sir: With reference to your letter of the 17th instant I beg to say that I have now received the necessary authorization from Director Hsiung Hsi Ling to conclude the loan negotiations on the basis you have outlined in your original cablegram to him, including the 8% interest on the proposed loan.

The Director General requests me to enter into an agreement with you and I shall be glad to have you send a representative for the purpose.

Yours very truly,

V. K. Wellington Koo"

Now THEREFORE it is witnessed and agreed by and between the parties hereto:—

I. The aforesaid offer and acceptance are hereby confirmed as constituting the agreement by them made for the purposes and under the terms and conditions therein named.

II. The Government of China by its proper officer will execute a Treasury Note in the terms and figures set out in the aforesaid offer and will deliver the same to the American Legation in Peking for transmission by it to the American International Corporation, New York City. This Note shall be written in English, and also in Chinese if the Government of China so desires.

III. The American International Corporation will deposit with The National City Bank of New York the sum to be realized from the sale of this Note, this sum to become available under this agreement upon the receipt by The National City Bank of notice, transmitted through the American Department of State, of the deposit of the aforesaid Treasury Note with the American Legation at Peking.

IV. In all matters of interpretation both of this agreement and of the Treasury Note, the English text shall prevail.

GOVERNMENT OF THE REPUBLIC OF CHINA

By V. K. WELLINGTON KOO

*E. E. & M. P. of the Republic of China  
to the United States of America*

AMERICAN INTERNATIONAL CORPORATION

By CHAS. A. STONE, *President*

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893.811/294a : Telegram

*The Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, May 2, 1918, 3 p.m.

The American International Corporation on May 1 and the Chinese Minister here signed a contract for a loan to the Chinese Government of \$250,000 for the preliminary survey of the Grand Canal. The Chinese Government will hand the Legation a Treasury Note for amount stated. Funds will be made available in National City Bank upon receipt of notification that Legation has Treasury Note.

Please promptly inform Department which in turn will transmit notification to Corporation and Bank. Transmit note through Department to Corporation.

LANSING

893.811/301

*The Minister in China (Reinsch) to the Secretary of State*

No. 2051

PEKING, *May 17, 1918.*[*Received June 11.*]

SIR: Confirming my telegram to you of May 17, 11 A.M.,<sup>48</sup> I have the honor to enclose herewith the treasury note of the Chinese Government for G. \$250,000.00.

This is in conformity with the instructions contained in your telegram of May 2nd, 3 P.M.

I have [etc.]

PAUL S. REINSCH

893.811/313

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2429

PEKING, *December 31, 1918.*[*Received February 15, 1919.*]

SIR: As of possible interest to the Department, I have the honor to enclose copies of my letters to the American International Corporation and to Mr. Ripley, Chief Engineer of the Grand Canal Improvement Board, both dated December 11th,<sup>48</sup> dealing with the present status of the Grand Canal Conservancy Project. There is enclosed also a copy of a letter from Mr. Ripley to the Director-General of the Board,<sup>48</sup> setting forth the present financial position of the preliminary survey.

Briefly summarized, the position is that due chiefly to the unprecedented rise in exchange, but also to delays and to extraordinary overhead expenses, it now appears that it will be impossible to complete the preliminary survey as originally planned without exceeding the available funds, and that therefore, unless a further loan is made, it will be necessary considerably to reduce the amount of field work planned and which the Chief Engineer still considers to be essential to a proper study of the problem presented. Mr. Ripley has discussed the position technically in detail in a letter addressed to Mr. Hsiung Hsi-Ling, the Director-General of the Board. A copy of this letter was forwarded to the American International Corporation, but as it is of a purely technical nature, no copy is being transmitted to the Department. Mr. Ripley's conclusion is that a further advance of Mexican \$200,000.00 is urgently required if the survey is to be properly completed, and, acting on his recommendation, Mr. Hsiung has now made formal application to the American Inter-

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<sup>48</sup> Not printed.

national Corporation through its resident representative here for a supplementary loan in this amount.

Inasmuch as this application is based on the urgent recommendation of the chief technical adviser to the Board, it would seem almost superfluous for the Legation to add its endorsement thereto. Nevertheless, as Mr. Hsiung has specifically requested the Legation's support of his application, I venture to suggest that the Department urge on the American International Corporation the necessity for compliance therewith.

With reference to the correspondence enclosed, I desire to invite the Department's attention especially to the prime necessity of the American International Corporation proceeding to construction work at the earliest possible moment. Unfortunately there appears to be the impression in Chinese circles that American capitalists are prone to seek concessions simply with the object of acquiring valuable options, and with no intention of the actual development thereof. It cannot be too strongly impressed on the American International Corporation that it is essential to future success in this country that some work be undertaken as soon as possible; preferably, this should be on the Grand Canal, but if that is impracticable, construction work under one of its railway options would be equally satisfactory.

Without going into technical details, it may be said that Mr. Ripley considers it to be feasible to undertake at once work on a part of the northern section of the Canal in the neighborhood of Ma Chang, which, in addition to being an integral part of the Canal Conservancy, would be beneficial to a conservancy scheme for the Chihli river system which is now engaging the attention of the Chinese Government. To the end that this work may be undertaken without delay, Mr. Ripley has proposed to the Board that an application be made for a further advance of \$500,000.00, and I understand that the Board has approved this suggestion and has made an application in this sense to the American International Corporation. It appears that Mr. Ripley has not yet sufficiently elaborate data to undertake a detailed and accurate estimate of the cost of the work, and that therefore the sum of \$500,000.00 represents an approximation only.

It is suggested that the propriety of undertaking this work without awaiting formal parliamentary ratification of the contract be urged on the American International Corporation. For obvious reasons it would not be politic to seek a ratification of the Corporation's contracts from the parliament now meeting in Peking. On the other hand, to await the solution of China's domestic difficulties, the possible revision of the constitution, and a subsequent election of a new parliament which would be competent to give the desired

ratification, would postpone for months the possibility of commencing work. Under the circumstances it would appear that the proposal now made to negotiate an advance against the contract, offers the best way out of the difficulty, and for the reasons already stated I trust the Department will lend its full support to this proposal.

I have [etc.]

PAUL S. REINSCH

893.811/328 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, July 3, 1919, 11 p.m.

At request of American International Corporation ask Gatrell<sup>50</sup> inform you fully regarding second canal advance and represent orally and informally to Director General Grand Canal Improvement Board, for Chinese Government, first, that Corporation speaking for the company is glad he agrees to inclusion expenses preliminary survey within amount upon which 10 per centum commission shall be paid, second, but that unless he concedes that work of contractors began with beginning of survey August 1, 1918, when survey engineers started for China, third, that lump sum of 1,000 Peiyang per month shall be paid as from August 1, 1918, fourth, and that said sum may by mutual agreement be increased when work and expense of head office make more adequate remuneration necessary, the Corporation must consider whether it should not in the best interest of China, withdraw engineers, secure payment of expenses incurred and repayment of \$250,000.00 already advanced.

Corporation which is ready to make second advance available immediately upon signing of agreement by Chinese Chargé at Washington, is convinced review of matter by Director General will cause him to abandon position taken in his letter of April 19th<sup>51</sup> and to authorize signing without reservation, especially when he realizes that Corporation offered to make survey at its own expense but that China preferred herself to make it, that Corporation continued its work in China during the adverse times of the war, that Corporation can employ its money, time and skill far more profitably elsewhere, especially at this juncture, that Corporation cannot justify continuance of work if contention and obstruction continue, nor justify its course to its stockholders if the small prospect of returns is further diminished and that it sincerely desires to assist China if China will so permit.

Telegraph reply.

PHILLIPS

<sup>50</sup> Representative of the Siems-Carey Railway & Canal Co., in Peking.

<sup>51</sup> Not printed.

893.811/330 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, July 7, 1919, 4 p.m.

Following from American International Corporation:

“Chinese Chargé having been authorized sign agreement second advance canal survey as it stands Corporation will conclude immediately. Inform Gatrell.”

PHILLIPS

893.811/329 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, July 15, 1919, 4 p.m.

For representative of American International Corporation: “Funds provided for by agreement signed July 8th, for second advance Canal survey deposited National City Bank today. Request Legation have Treasury note dated accordingly and to forward immediately via pouch. Telegraph when despatched. Stone.”

POLK

893.811/332

*The Vice President of the American International Corp. (Tinsley) to the Acting Secretary of State*

NEW YORK, July 19, 1919.

[Received July 25.]

SIR: I have the honor to transmit to the Department for its information and for its archives a copy of the agreement entered into between the Chinese Government and the American International Corporation providing for an advance of Three Hundred and Fifty Thousand Dollars Gold to be used for continuing the preliminary survey of the Grand Canal in China. I also enclose to the Department copies of certain correspondence<sup>52</sup> pertinent to the agreement.

I have [etc.]

R. P. TINSLEY

[Enclosure]

*Agreement between the Chinese Government and the American International Corp. for a Further Loan of Three Hundred and Fifty Thousand Dollars for the Preliminary Survey of the Grand Canal; Signed July 8, 1919*

This instrument negotiated and signed this eighth day of July 1919, by the Republic of China by its duly authorized and accredited

<sup>52</sup> Not printed.

representative therefor, Yung Kwai, Chargé d'Affaires *ad interim*, and the American International Corporation by its President Charles A. Stone, duly authorized thereto,

WITNESSETH as follows:

WHEREAS, the Republic of China has requested that an additional loan be made to it by the American International Corporation, the proceeds thereof to be used in completing the work of the preliminary survey of the Grand Canal, as such work has been planned, initiated and prosecuted under the agreement of May 1, 1918, between the parties; and

WHEREAS, the American International Corporation is willing to accede to this request and to make to the Republic of China a gold loan to be used for the completion of such preliminary survey work as planned and initiated upon the same terms and conditions as those governing the loan already made for the same purpose under the agreement of May 1, 1918, as those terms were laid down in that agreement and as further detailed and defined, in part, in the letter of January 6th, 1919, to His Excellency Hsiung Hsi Ling from Mr. F. C. Hitchcock as Vice President of the Siems-Carey Railway and Canal Company.

Now THEREFORE, the parties hereto have agreed as follows:

1. The American International Corporation will purchase at 99 a one year treasury note of the Republic of China for Three Hundred and Fifty Thousand U. S. Gold Dollars (G. \$350,000.00), the note to draw interest from date until paid at eight per centum (8%) per annum.

2. The Republic of China by and through its proper officer will execute and deliver to the American Legation in Peking for transmission by it to the American International Corporation, New York City, a one year treasury note of the Republic of China, which note shall be written in English, and in Chinese also if the Republic of China so desires, shall bear an even date with this agreement, and shall be in words and figures as follows:

“For value received the Republic of China promises to pay to bearer one year from the date hereof or thereafter on demand Three Hundred and Fifty Thousand Dollars (\$350,000) in gold coin of the United States with interest at the rate of eight per centum (8%) per annum, payable semi-annually from date until paid. All payments of principal and interest shall be made in U. S. gold coin at The National City Bank, New York City, United States of America.”

3. The American International Corporation will upon the signing of this agreement deposit with The National City Bank of New



York, the sum to be realized from the sale of this note, this sum to become available for expenditure under this agreement upon the receipt by The National City Bank of notice, transmitted through the American Department of State, of the deposit of the aforesaid treasury note with the American Legation at Peking. The proceeds of this note are to be furnished, deposited, withdrawn, handled, and expended in every respect and in all respects as were the funds realized from the loan agreement of May 1, 1918, as that agreement was further detailed and defined, in part, by the letter of January 6, 1919, to His Excellency Hsiung Hsi Ling, Director General of the Grand Canal Improvement Board, from Mr. F. C. Hitchcock as Vice President of the Siems-Carey Railway and Canal Company.

4. In all matters of interpretation of this agreement and of the treasury note, the English text shall prevail.

THE REPUBLIC OF CHINA

By YUNG KWAI

*Chargé d'Affaires ad interim*

AMERICAN INTERNATIONAL CORPORATION

By CHAS. A. STONE, *President*

893.811/335

*The Minister in China (Reinsch) to the Secretary of State*

No. 2922

PEKING, July 31, 1919.

[Received September 8.]

SIR: With reference to previous correspondence, and particularly to the Department's telegram of July 15, 4:00 P.M., I have the honor to report that in accordance with an arrangement made between the local representative of the American International Corporation and the Ministry of Finance, I returned to the Ministry of Finance some days ago the treasury bill for \$350,000.00 handed to the Legation on May 20th last by the Ministry in connection with the negotiations for the advance of that sum by the Corporation on account of the Grand Canal Conservancy project, and have now received from the Ministry a new treasury bill dated July 8th, which I have the honor to forward enclosed herewith for delivery to the American International Corporation, as reported in my telegram of July 31st, 1:00 P.M.<sup>58</sup>

I have [etc.]

PAUL S. REINSCH

<sup>58</sup> Not printed.

## BANKING

**Establishment of the Bank of Commerce, China, with Joint Chinese and American Capital<sup>54</sup>**

893.516/62 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*PEKING, *March 20, 1919, midnight.*[*Received March 20, 11.20 p.m.*]

Please communicate to International Banking Corporation the following substance :

In connection with our conversation of August last I wish to inform you that a syndicate of Chinese has been formed for the purpose of establishing a Sino-American industrial bank with branches. Syndicate is composed of leading merchants Shanghai, Tientsin, Hankow; President; Premier; ex-President Li. Purposes commercial and industrial banking, capital subscribed \$5,000,000, one half ready to be paid in. No such combinations ever before formed nor similar offer made any nationality. Founders will obtain bank charter from the Chinese Government for banking and trust company business with intention to emphasize the latter. They are ready to incorporate with Americans equal shares under American law a corporation to take over the Chinese charter. All business to be subjected to joint control American and Chinese representatives. Connections assure large business from the start. Will you, either alone or with banks, form American associate? Request early answer which I shall await before taking up with others as you have expressed an interest in this matter. I believe the business of the new institution would affect favorably your existing banks. It would appear that if your corporation should participate the necessary capital could be raised immediately among concerns interested in China.

REINSCH

893.516/62 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*WASHINGTON, *March 31, 1919, noon.*

Your March 20, midnight, has been forwarded.

It would seem that under present conditions the agents of corporations in China might well transmit such information direct to their respective home offices, the Legation simply telegraphing the facts to the Department for its information and for such action as it may

<sup>54</sup> See also pp. 411, 418, 419.

deem advisable. The Legation might also mention persons or corporations who it thinks would be interested, but leaving the disposition in each case to the discretion of the Department in order that it may avoid any possible charge of discrimination in favor of or against any particular banking firm, corporation or individual when such opportunities arise in China. It is possible also that some proposals of this character may have a bearing either directly or indirectly on the Consortium negotiations, in which Japan, Great Britain and France are also concerned. The Department is particularly anxious at this time to avoid any suspicion of undue activity on the part of this Government in promoting American enterprises in China to the exclusion of other nationals. The transmission by the Legation of such messages may lead to unwarranted suspicions.

PHILLIPS

893.516/66

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2703

PEKING, April 22, 1919.

[Received May 22.]

SIR: I have the honor to report that under date of April 18th the Foreign Office notified the Legation of the grant by the Chinese Government of a charter to a Sino-American bank, to be known as the China Development Bank.<sup>55</sup> While the articles of incorporation, or charter, have not yet been communicated officially to the Legation, I have the honor to enclose a translation of the same which is known to be correct, together with a translation of the petition submitted by the Chinese promoters of the bank, and a translation of the Rescript issued in reply by the Ministry of Finance and Currency Bureau approving of the articles of incorporation as submitted by the promoters.<sup>56</sup>

This bank is a natural outgrowth of the very marked desire of the Chinese to secure a larger participation by the United States in the financial and industrial development of China. The first proposals looking toward the formation of such a bank were made several years ago, under the influence of a certain Mr. Chang, a Chinese merchant who had amassed a large fortune in Singapore. Some progress was made at that time with the scheme, but partly owing to domestic political disturbances and chiefly to the death of Mr. Chang the proposed bank never materialized. It is not known what American interests, if any, were concerned in this abortive attempt: it is believed that a considerable portion of the alleged American

<sup>55</sup> The name of the proposed bank in the official translation of the articles of incorporation, p. 633, is given as the "Bank of Commerce, China."

<sup>56</sup> Petition and rescript not printed.

share was to have been taken up by Chinese resident in the United States.

During 1918 a number of different groups of important Chinese financiers approached the Legation at different times with projects for the formation of a Sino-American bank, which would devote much of its attention to industrial development. Informal conversations were carried on with these several groups for some time until finally late in the year arrangements were perfected for the merging into one group of all the Chinese elements interested. Thus a very strong combination was formed including such well known officials as Ex-President Li Yuan Hung, Ex-President Feng Kuo Chang, Counsellor Liang Shih Yi, Ex-Ministers of Finance Chow Tze Ch'i and Chow Hsueh Hsi, Mr. Yang Shih Chung, brother of the late Yang Shih Chi an ex-Secretary of State, and Mr. Hsu En-yuan, ex-Governor of the Bank of China, and such well known merchants as Mr. Chu Pao Shan, President of the Shanghai General Chamber of Commerce, Mr. Yu Yueh Ching, a wealthy ship owner of Shanghai, and Mr. Fu, a director of the Commercial Bank of China and an important shareholder in the China Merchants' Steam Navigation Company. Other subscribers whose names for obvious reasons will not appear on the prospectus are Mr. Hsu Shih Chang, the President, Mr. Chien Nung Hsun, Premier, and Mr. Li Hsun, the Governor General at Nanking. Apart from the very great financial strength of the group so formed, it should be noted that all shades of political thought with the exception of the extreme Southern radicals are represented. It is particularly worthy of note that such prominent moderates as ex-President Li Yuan Hung and Governor General Li Hsun of Nanking are amongst the subscribers. It should be noted equally that while the project has the approval of the President and Premier, none of the members of the dominant military clique are concerned therein. The attention of the Department is invited to these facts in order that it may be understood clearly that this proposed bank is in its origin free from any taint of party politics, and is indeed a commercial undertaking pure and simple. Were this not the case, it would be impossible for the divergent elements represented amongst the promoters to come together, nor would it have been possible to secure the invaluable backing of the leading Shanghai merchants who take no active interest in politics at all.

The Chinese share of the capital, namely Gold \$5,000,000, has been fully subscribed.

Legally the position of the new bank seems perfectly sound. It is a Chinese corporation incorporated by a special act of the Ministry of Finance and the Currency Bureau, the two government departments competent to grant bank charters. The grant of the

charter has been formally notified to the Legation by the Foreign Office with a request that it be made a matter of official record.

The charter grants to the bank the widest possible rights and powers, including the right of note issue, and, by clear inference, the right to open branches at non-treaty ports, as it is stipulated that the head office shall be in Peking, which is not a treaty port. The general control of matters of policy is vested in a Board of Directors, eleven in number, of whom six are to be Chinese and five American, while an efficient check on all banking and financial operations is provided for by the institution of a board of superintendents of whom three will be Americans and two Chinese. The charter grants to the board of directors, acting with the consent of the board of superintendents, the power to prescribe the necessary rules and regulations for the conduct of business by the bank, and it is understood that the Chinese shareholders acting under virtue of this provision are quite prepared to vest the executive management of the bank's affairs in a small and possibly unofficial committee consisting of the President (Chinese), the First Vice President (an American) and the Chairman of the board of superintendents (an American), or to make any other arrangements for executive control which may meet with the approval of the American interests concerned. Indeed it is the avowed desire of the Chinese promoters to avail themselves as much of American banking experience in the conduct of the bank as of American capital in carrying out the financial operations which it will undertake.

I desire to invite further attention to the fact that the Chinese promoters realize fully the necessity of proceeding most cautiously and that it is their desire to build up a strong sound institution of irreproachable credit rather than to look for immediate returns on their capital investment. At the same time it may be stated that while in the United States it would be considered extraordinary for a bank to make any large profits on its operations during the first year or second year of its life, the Exchange Bank of China (The Sino-Japanese Bank) according to its published statement has made a net profit of over twenty per cent in a period of less than one year since it commenced business.

While the charter grants to the bank the right to engage in practically every form of banking business, it is the intention of the Chinese promoters to devote attention principally to three branches, namely, the establishment of a national note issue, domestic exchange and industrial development. It seems to be realized that with its limited capital the bank will not be in a position to engage in any large form of industrial loans for the first few years. While the plans of the promoters cannot be crystallized until the views of the

American interests are ascertained, it is believed that energy will be centered at first on creating and maintaining the credit of the bank throughout the country at large. This will be attempted by the issue of fully secured bank notes. When these notes have attained a general currency, it is believed that public confidence in the bank will have developed to the extent of placing with it deposits on a large scale, which will gradually make possible the widening of the sphere of operations of the bank including the underwriting of industrial bond issues. At the present time the enormous financial strength of the Chinese people is not available for use in developing the industrial resources of the country mainly because of the lack of confidence, perhaps merited, felt by the population for the few banks which ought to be in a position to serve the country in this way.

That the Chinese feel the need of and believe in the opportunity for such a bank is amply demonstrated not only by the ease with which the desired quota of capital has been raised but also by the fact that the identical project was suggested by a number of Chinese financial groups acting independently one of the other. From the American point of view the institution of such a bank affords many advantages. It is avowedly devoted to the furtherance of commerce between the two nations, and as time goes on may be expected to do more and more in this direction. It should also serve as a most useful medium for financing joint Sino-American industrial undertakings in China, which, under present conditions, are too often hampered either by the difficulty of obtaining financial support or by the impossibility of adequately securing the necessary loans when made by a foreign institution. Under its charter the bank can acquire and hold real property throughout the country, and is therefore not subject to the restrictions normally imposed on foreign commercial enterprises. The project has received careful examination by myself, by the Commercial Attaché of the Legation, and by other members of the staff, and is believed to be perfectly sound in all essentials. Some such plan has also received considerable attention from American bankers and business men in the East during the past few years. In particular has this been true of the International Banking Corporation, which has recently been investigating possibilities in this direction. As the International Bank has had some such plan under discussion with the Legation for some time it was felt to be no more than proper to acquaint it first of the Chinese proposals. These are now in course of being considered by the National City Bank interests which control the International Bank. The Asia Banking Corporation has also expressed itself interested in this project, the details of which will be made available for consideration by that bank at an early date. Mr. Bruce, President of the Pacific Develop-

ment Company, has also had a number of conversations with certain of the Chinese promoters and plans to take this project up with his principals, who are believed to be the Chase National Bank interests, on his return to the United States next month, should the American quota of the capital be not already subscribed by that time. Other prominent American business men have expressed themselves as strongly in favor of a Sino-American bank, as for example Mr. J. A. Thomas, a director of the British-American Tobacco Company, who discussed this matter with prominent financial interests in New York. In conclusion it should be noted that the program in view in no way infringes on the sphere of operations of the newly formed American consortium. While this bank in the fullness of time may join the consortium as a member of a possible Chinese group, it does not plan to engage in government business to any extent nor to make the granting of loans to the Chinese Government a part of its policy. As has already been indicated, its primary object will be the development of domestic banking in China, with industrial development to follow so soon as its accumulated funds make it possible.

I have [etc.]

PAUL S. REINSCH

[Enclosure 1—Translation <sup>57</sup>]

*The Chinese Acting Minister of Foreign Affairs (Ch'en Lu) to the American Minister (Reinsch)*

No. 956

[PEKING,] April 18, 1919.

SIR: The Ministry of Finance and the Bureau of Currency have communicated with this Ministry as follows:

"A petition has been received from Chu P'ei-chen and others stating that, the European War having been ended, the world powers are concentrating their energy and resources on the reconstruction of industry and commerce; that they the petitioners are proposing to combine with American capitalists, to contribute a capital of 10,000,000 gold dollars, of which one-half shall be paid in at first, for the establishment of the Bank of Commerce of China (Chung-hua Mou Yeh Bank) as a cooperative institution. Articles of incorporation numbering 33 have been handed in for consideration and sanction.

As the promoters of Mr. Chu Pei-chen and others, in their endeavour to bring about the joint establishment of the Bank of Commerce of China by Chinese and American capitalists and merchants, are working for the development of international commerce, the said Articles are hereby approved by the Ministry and the Bureau. As regards the right of note-issue mentioned in the said Articles, the Government seldom grants it. But as this is the first instance

<sup>57</sup> The translation here printed is the more literal translation forwarded by the Minister in his despatch No. 2920 of July 30 (File No. 893.516/90).

in which important Chinese and American capitalists have come together to establish a bank on a cooperative basis, this Ministry and Bureau, in the desire to further the friendly relations between China and the United States of America, and in consideration of the fact that the circumstances surrounding this application are somewhat similar to those in the case of the Banque Industrielle de Chine, a Sino-French Bank, and the Exchange Bank of China, a Sino-Japanese Bank, hereby grant the Right of Note-Issue to the said bank. It should however be specifically stated here that if Chinese and American merchants should hereafter combine to establish another institution of a like nature, the present case cannot be quoted as a precedent to ask for a similar special privilege. As it is provided in Art. 13 that the Bank shall cease to issue new banknotes and recall those already in circulation whenever the promulgated laws of note-issue of the country shall be put into actual execution, the said Bank, shall observe such and/or such other laws of note-issue as may be put into actual execution, in order that the national currency system may be safeguarded.

Besides granting sanction, the Ministry and the Bureau ask that the American Minister may be notified officially for his record."

We now duly notify you and ask that you will take note and reply.  
A necessary despatch under instructions.

SEAL OF THE MINISTRY FOR FOREIGN AFFAIRS

[Enclosure 2—Translation <sup>68</sup>]

*The Articles of Incorporation of the Bank of Commerce, China*

CHAPTER I.—GENERAL

ARTICLE 1.—The Bank shall be called the Bank of Commerce, China.

ARTICLE 2.—The Bank shall be a Limited Liability Company with capital subscribed by citizens of the Republic of China and citizens of the United States of America.\*

ARTICLE 3.—The Head Office of the Bank shall be in Peking, China. Branches, sub-branches or agencies may be opened at such time and in such commercial places in China, in the United States of America and in other countries as may, by resolution of the Board of Directors, be deemed necessary for the conduct of the business.

ARTICLE 4.—The term of the Charter shall be for a period of sixty years from the date of the opening of the Bank, but may be extended by resolution at a General Meeting of Stockholders.

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<sup>68</sup>The translation here printed is the official translation sent to the Department by Frederic E. Lee, economist consul on special detail with the Legation in China (File No. 893.516/182).

\* NOTE A: Under the Laws of China the liability is limited to the Amount of Capital subscribed. [Footnote in the original.]



## CHAPTER II.—CAPITAL

ARTICLE 5.—The Capital of the Bank shall be ten million dollars gold divided into one hundred thousand Shares of one hundred dollars gold each, to be subscribed by citizens of the Republic of China and citizens of the United States of America. The Chinese share shall not be less than half of the total capital.

After the above Capital has been fully paid up, the Capital may be increased by resolution at a General Meeting of Stockholders.

ARTICLE 6.—The first instalment payable for each share subscribed shall be fifty dollars gold. The second and further calls shall be determined by the Board of Directors as and when deemed necessary for the business of the Bank. Business may be begun when the paid up capital amounts to \$2,500,000.

ARTICLE 7.—The rules governing the method of payment of capital and the issue, sale and transfer of share certificates shall be fixed by the Board of Directors.

## CHAPTER III.—BUSINESS

ARTICLE 8.—The Bank is authorised to engage in the following Business:—

- (1) To make loans, and to discount bills and drafts.
- (2) To receive deposits of all kinds.
- (3) To engage in internal and foreign exchange.
- (4) To deal in all kinds of securities, to purchase and sell gold and silver bullion, as well as to exchange all kinds of currencies.
- (5) The safe custody of securities and valuables.
- (6) The collection of bills and accounts of all kinds.
- (7) To act as agents for the issue of bonds, including underwriting and the buying, selling, and holding of stocks and bonds in companies of all kinds.
- (8) To manage loans of all kinds.
- (9) To manage funds of Government Departments and companies.
- (10) To undertake the agencies of companies or banks.
- (11) To make loans against approved securities of all kinds.
- (12) To engage in other banking business.

ARTICLE 9.—The Bank may borrow money when deemed advantageous for the business of the Bank.

ARTICLE 10.—The Bank may acquire real property when deemed necessary for the business of the Bank, or in connection with debts receivable.

ARTICLE 11.—The Bank shall not purchase its own shares or make loans against them.

ARTICLE 12.—The Bank shall not make loans to its own staff.

## CHAPTER IV.—NOTE-ISSUE

ARTICLE 13.—The Bank may issue Bank Notes and, when the promulgated Laws of Note Issue of the country have been put into actual execution, shall cease to issue new Bank Notes and recall those already in circulation.\*

ARTICLE 14.—The detailed Rules on Note-issue shall be fixed by the Board of Directors with the approval of the Board of Controllers.

## CHAPTER V.—GENERAL MEETING OF STOCKHOLDERS

ARTICLE 15.—The General Meeting of Stockholders shall be of two kinds, namely, Ordinary and Extraordinary. The Ordinary General Meeting shall be held at such time as shall be fixed; an Extra-ordinary General Meeting shall be held when the Board of Directors deems it necessary, or when Stockholders of more than one-third of the total capital formally so request in writing, stating the particulars, the object, and the reasons for calling such a Meeting.

ARTICLE 16.—Stockholders shall be notified of the particulars and objects of a General Meeting one month before the date set for such meeting. Stockholders may vote by proxy, but the proxy himself shall be a Stockholder of the Bank.

ARTICLE 17.—Each share shall have one vote.

ARTICLE 18.—Resolutions of General Meetings shall be passed by a majority of the votes cast in the Meeting; in case of a tie, the Chairman shall cast the deciding vote. But in case of Amendment to the Articles of Incorporation or of the Amalgamation or Dissolution of the Bank, the quorum shall be two-thirds or more of the Stockholders representing two-thirds or more of the total capital, and the resolution shall be passed by a majority of all stock outstanding.

ARTICLE 19.—The President shall preside at General Meetings. In case of his absence, the Vice President shall take the chair.

ARTICLE 20.—The minutes and resolutions of General Meetings shall be entered in the Record Book of the General Meetings, to be signed and kept by the President and Vice Presidents of the Bank.

## CHAPTER VI.—ORGANIZATION

ARTICLE 21.—The Bank shall have eleven Directors, six being Chinese and five being Americans; and five Controllers two being Chinese and three being Americans.

ARTICLE 22.—The Directors shall serve for five years, and shall be elected from among Stockholders each possessing 100 or more shares; the Controllers shall serve for five years, and shall be elected from among Stockholders each possessing 50 or more shares. A Director

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\* NOTE: Subject to the future Laws of China. [Footnote in the original.]

or a Controller is eligible for re-election when his term of office expires.

ARTICLE 23.—The Directors shall select one Chinese Director to be the President and one American Director to be the First Vice President and one Chinese Director to be the Second Vice President.

ARTICLE 24.—The Controllers shall Audit the Accounts and all the Assets of the Bank, and supervise the observance by the Staff of the Bank's Regulations. They shall elect an American Controller to be the Chairman of the Board of Controllers.

ARTICLE 25.—In case of a vacancy in the Board of Directors or among the Controllers there shall be an election to fill a vacancy. The term of office of the Director or Controller so elected to fill a vacancy shall be the uncompleted term of his predecessor.

ARTICLE 26.—The salaries, allowance and/or remuneration of the President, the Vice Presidents, the Directors and the Controllers shall be fixed by the Stockholders at a Meeting properly called. The salaries and allowances of Branch or agency managers and other subordinates shall be fixed by the Board of Directors.

#### CHAPTER VII.—BOARD OF DIRECTORS

ARTICLE 27.—There shall be a Board of Directors consisting of the President, the Vice Presidents, and the other Directors, with the President as its Chairman and the American Vice President as its Deputy Chairman.

ARTICLE 28.—All regulations necessary for the conduct of business of the Bank shall be drawn up by the President and Vice-Presidents, and subject to the approval of Controllers shall be submitted to the Board of Directors for confirmation.

ARTICLE 29.—The resolutions of the Board of Directors shall be passed by a majority of the members present. In case of a tie, the Chairman shall cast the deciding vote. The Controllers may attend the Meetings of the Board of Directors to express opinions, but shall have no vote.

ARTICLE 30.—The resolutions and minutes of the proceedings of the Board of Directors shall be recorded in the Resolutions Book to be signed by the Chairman.

#### CHAPTER VIII.—CLOSING OF ACCOUNTS

ARTICLE 31.—The Business Year of the Bank shall be the Calendar Year.

ARTICLE 32.—After the closing of the accounts of each year, there shall be drawn up, two weeks before the holding of the Ordinary General Meeting of Stockholders, a Balance Sheet, a Profit and Loss Account, a Report of the operations of the Bank and a Proposal

for the distribution of profits, to be audited by the Controllers and, if approved by them, to be submitted to the General Meeting for approval.

ARTICLE 33.—The remainder of the Gross Profit of each year after all the losses have been provided for shall be the Net Profit, which shall, on the proposal of the Board of the Controllers and with the confirmation of the Board of Directors, be distributed to the best interest of the Stockholders.

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893.516/82 : Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, July 31, 1919, 4 p.m.

[Received 9.22 p.m.]

Referring to my cable[s] of July 14th, 1 p.m.<sup>59</sup> July 18th, 11 a.m.<sup>59</sup> despatch number 2703.<sup>60</sup> I have the honor to bespeak your favorable attitude toward treaty [*that?*] enterprise which is the most important thing now being attempted for the advancement of American trade in China and our general influence. Through intimate association with the Chinese representative capitalists, interested Americans will have hitherto unequalled opportunities for advantageous business arrangements. The readiness of these prominent men to cooperate with us deserves encouragement; influences friendly to us have exerted themselves to the utmost to bring this about. The policy of the Americans is a matter which aims to be serviceable to all American interests, I therefore hope that you may be able to make some expression of approval to them. Early action highly desirable. Also that, out of the enormous financial effort expended in Europe, we should apply a little here to keep important opportunities open.

REINSCH

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893.516/82 : Telegram

*The Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, August 7, 1919, 5 p.m.

Your July 31, 4 p.m.

Department has transmitted to Bruce<sup>61</sup> telegrams in question and has shown copies of telegrams and despatches to Denby<sup>62</sup> personally.

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<sup>59</sup> Not printed.

<sup>60</sup> *Ante*, p. 628.

<sup>61</sup> Edward B. Bruce, President, Pacific Development Corp.

<sup>62</sup> Charles Denby, Special Assistant to the Department.

Department approves encouragement of American enterprise, but cannot commit itself with respect to specific cases until it has had opportunity to scrutinize the actual terms of the contract. Nor can the Department well assume responsibility for the good faith of the contracting parties.

LANSING

893.516/92

*Messrs. Sullivan & Cromwell to the Secretary of State*

NEW YORK, September 15, 1919.

[Received September 16.]

DEAR SIR: We are representing a group of American interests, who are considering subscription to one-half of the capital stock of the Chinese-American Bank which has recently been chartered by the Chinese Government at Peking. The charter of the bank provided, among other things, that one-half of the stock should be owned by Americans. The American Minister at Peking received an official copy of this charter from the Chinese Government and, we understand, communicated fully to the Department of State at Washington with regard to the subject. A number of the cables which came from the American Minister to the Department of State refer to Mr. E. B. Bruce, who is the President of the Pacific Development Corporation, one of the American interests concerned.

The American Minister at Peking has stated to our representative there that he has forwarded to the State Department a full statement of just what would be the status and rights of Americans becoming stockholders in the proposed bank and suggested to our representative that we secure from the State Department this information.

We desire particularly to be advised as to the view of the Department of State with regard to the extent and nature of the protection which would be accorded to the American-owned stock of the bank.

In view of the fact that the charter of the bank acknowledges American owned stock, would all matters pertaining to American rights in the bank, derived through this stock ownership, come automatically under American jurisdiction?

In view of the expected arrival in this country of Chinese representatives to carry on the negotiations relating to the bank, we would appreciate your kindness in advising us with reference to this subject as early as your convenience will permit.

Respectfully yours,

SULLIVAN & CROMWELL

893.516/92

*The Secretary of State to Messrs. Sullivan & Cromwell*

WASHINGTON, *September 26, 1919.*

GENTLEMEN: The Department is in receipt of your letter of September 15, 1919, regarding the proposed subscription by American interests to one-half of the capital stock of the Chinese-American Bank at Peking, which you state has recently been chartered by the Chinese Government. You inquire as to the view of the Department with reference to the extent and nature of the protection which might be accorded to the American owned stock of the bank and particularly whether, in view of the fact that the charter acknowledges American owned stock, all matters pertaining to American rights in the bank, derived through such stock ownership, would come under American jurisdiction.

In reply you are informed that under the extraterritorial privileges enjoyed by the United States in China pursuant to treaty stipulations, all legal proceedings instituted against American citizens or American concerns must be brought in an American consular court or in the United States court for China. Actions against a Chinese citizen or concern in which an American citizen or firm is plaintiff are under Chinese jurisdiction, that is to say, the action is brought in a Chinese court though with an American assessor sitting with the court for the purpose of watching the proceedings on behalf of American interests.

It may be observed that a corporation organized under the laws of China in which one-half of the capital stock is owned by Chinese citizens is for all intents and purposes generally to be regarded as a Chinese corporation, and it apparently could not be successfully contended that the fact that the other half of the capital stock was owned by American citizens would, of itself, bring the corporation as such under American jurisdiction, since, as you are doubtless aware, the identity of individual stockholders is, generally speaking, lost sight of in corporations which for general purposes are considered to be legal entities. For the reason just indicated a distinction is to be made between actions by or against the corporation as such and those by or against the individual members or stockholders. While cases of the former character would apparently be outside the jurisdiction of this Government, it would not fail to use its good offices in appropriate cases in the protection of American interests involved. The extent and nature of such protection, however, would depend upon the facts of the particular case which might be presented for consideration and obviously cannot be indicated in advance.

I am [etc.]

For the Secretary of State:

**BOAZ W. LONG**

[In the Legation's last quarterly report for 1919, printed on page 396, the statement is made that: "Hayden, Stone & Company . . . the Chase National Bank; and . . . the Pacific Development Corporation, each . . . took one third of the American share of the capital. The Bank was formally organized in December, and commenced business in Peking the following month."]

### TARIFF REVISION

**Preparation by the China Tariff Revision Commission of a Proposed Revised Tariff, Completed December 20, 1918—Acceptance by Other Governments; Requirement of a Treaty with the United States**

693.003/447: Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, October 2, 1917, 2 p.m.

[Received October 2, 9.40 a.m.]

Your instructions September 20, 4 p.m.<sup>63</sup> are understood to the effect that if the Chinese Government withholds the payment of the Boxer indemnity during the period stated no objection will be made by the American Government on the condition specified.

The Chinese Government has proposed the assembling of an international commission at Shanghai for the purpose of revising the specific tariff to yield 5 per cent effective as provided by the treaties. I beg to suggest that a commission be designated and that the Commercial Attaché possesses the necessary knowledge of the situation.

Also I beg to query whether or not, as the recomputation of the 5 per cent effective is in essence an administrative act, the consent of the Senate to the determinations of the commission will be required.

REINSCH

693.003/447: Telegram

*The Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, October 15, 1917, 6 p.m.

Your October 2, 2 p.m.

Your understanding as to suspension of indemnity payments is correct. If other co-belligerent governments agree to proposed international tariff commission this Government will appoint Commissioners with the understanding that the revised tariff before it could become effective should presumably be incorporated into a new treaty.

LANSING

<sup>63</sup> *Foreign Relations*, 1917, Supplement 2, vol. I, p. 639.

693.003/431 : Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, November 10, 1917, 10 p.m.

[Received November 10, 11.50 a.m.]

My telegram October 2, 2 p.m. The French Government has instructed its Commercial Attaché to represent it upon the international commission which is to meet Shanghai on December 1 for the revision of the tariff to an effective 5 per cent.

REINSCH

693.003/432 : Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, November 16, 1917, 8 p.m.

[Received 10.20 p.m.]

My telegram November 10, 10 p.m. Shanghai customs revisions conference to meet in January. British will appoint as delegates commercial attaché and representative British Chamber of Commerce, Russian[s] and French, commercial attaché and commercial expert.

The first question for settlement by conference (will be?) what years to give basis of computation of values, whether before war or since war.

Incidentally Russian Minister makes consent conditional on leaving land frontier customs rate absolutely unchanged. Apparently he relies on French land frontier precedent. The Chinese Government is asking the French Government to consent to the raising of the southern frontier customs relatively with the maritime customs. Unless this is done the disproportionately low land frontier rate after a revision of the tariff would injuriously affect American commerce.

REINSCH

693.003/438 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, November 17, 1917, 4 p.m.

Your October 2, 2 p.m.

Arnold<sup>64</sup> is designated to represent the United States Government on the international tariff commission to meet at Shanghai December 1 for the revision of the tariff. He should bear in mind

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<sup>64</sup> Julean Arnold, Commercial Attaché in China.



the understanding of this Government stated in the Department's October 15, 6 p.m.

POLK

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693.003/433 : Telegram

*The Secretary of State to the Ambassador in France (Sharp)*

WASHINGTON, November 22, 1917, 4 p.m.

2839. The Legation at Peking on November 16 telegraphed that the international conference for revision of the Chinese tariff would meet at Shanghai in January and that the Russian Government desired to have tariff on land-borne commerce excepted from revision. The reported action of the French Government in excepting from revision tariff on commerce over the Indo-China frontier is quoted by Russia as a precedent. The British Government is urging France to relinquish this precedent. You are instructed to make similar representations to the Foreign Office. The claim if allowed will greatly injure sea-borne commerce especially in Manchuria.

LANSING

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693.003/432 : Telegram

*The Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, November 22, 1917, 5 p.m.

Your November 16, 8 p.m.

Please state whether result of conference is to be embodied in an instrument of the nature of a treaty. This would appear to require delegates to possess plenipotentiary powers. Department in view of postponement of conference to January will designate one other delegate in addition to Arnold and desires to know character of the powers which other nations will confer on their representatives.

LANSING

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693.003/434 : Telegram

*The Minister in China (Reinsch) to the Secretary of State*

[Extract]

PEKING, November 27, 1917, 2 p.m.

[Received 5.11 p.m.]

The Minister for Foreign Affairs and the British Minister considered that the conference is essentially administrative in character being called for the purpose not of making a new treaty but carrying

out the provisions existing treaties with respect to effective 5 per cent duty, its task is technical in nature requiring expert knowledge but not calling for bestowal plenipotentiary powers. The British Minister has himself designated the British delegates.

REINSCH

693.003/448

*The Minister in China (Reinsch) to the Secretary of State*

No. 1772

PEKING, December 1, 1917.

[Received January 9, 1918.]

SIR: I have the honor to forward copies of a note from the Foreign Office,<sup>65</sup> in which the Chinese Government requests the immediate institution of a surtax on import duties, in order to make the payment received more nearly equal to the 5% effective, which has been agreed upon, and which is to be definitely fixed by the Customs Conference at Shanghai. The action suggested would have as a precedent the arrangement made in 1902, when a 5% *ad valorem* duty was permitted to be levied, in anticipation of the tariff to be fixed by the Customs Conference at that time. The Ministers of the Allied Powers unanimously agreed to recommend to their Governments that the request for an immediate surtax be granted in principle, and that the delegates at the Customs Conference at Shanghai be authorized immediately after the beginning of their work, to fix the definite amount of surtax to be granted. It is the opinion of the Ministers that a surtax of a definite percentage is preferable to the temporary institution of an *ad valorem* duty of 5%, partly because the market value of merchandise at the present time is abnormal, and partly because the administration of an *ad valorem* duty is most difficult.

I have the honor to recommend that the American Government authorize action in consonance with the above recommendations, and to request your telegraphic instructions.

Incidentally, the opinion has been expressed by a number of the Ministers that it would be most equitable to take the three years immediately preceding the war as a basis for the valuations to be fixed by the Tariff Conference. The reason for this preference is found in the abnormal prices attained by many articles of merchandise in the course of the war.

I have [etc.]

PAUL S. REINSCH

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<sup>65</sup> Not printed.

693.003/436 : Telegram

*The Ambassador in France (Sharp) to the Secretary of State*<sup>66</sup>

PARIS, December 2, 1917, 6 p.m.

[Received December 3, 10.45 a.m.]

2835. Your 2839 November 22, 4 p.m. Ministry for Foreign Affairs has replied that it is inexact that French Government had taken the initiative in requesting exemption from the revision of customs duties Mediterranean sea borne commerce. Foreign Office note states that having been informed by the French Charge d'Affaires at Peking of the reservation which has been made by the Russian Legation concerning the proposed Chinese custom tariff as applicable to the Sino-Russian frontier, French Ambassador at Petrograd was instructed to inform the Russian Government of the inconvenience of such an attitude. On the 4th of November, the Russian Minister for Foreign Affairs answered that the duty to be applied to the Sino-Russian frontier had been fixed by special agreements between the two countries and that the question was one concerning Russia and China exclusively, and should not be confounded with that of maritime customs common to all the powers and which are the only ones affected by the proposed tariff increase. The French Foreign [Office] note further states that it is desirable for the Russian Government to modify its attitude, otherwise the French Government would for its part be obliged to formulate reserves as to the tariff applicable to the frontier of Tonkin but that the present political situation in Russia unfortunately renders inopportune any action at Petrograd to this end.

SHARP

693.003/444b

*The Secretary of State to the Commercial Attaché in China (Arnold)*<sup>67</sup>

WASHINGTON, December 7, 1917.

SIR: There is sent you enclosed herein a certificate<sup>68</sup> of your appointment as a member of the American Delegation to the international tariff conference which is to meet at Shanghai in January 1918 for the purpose of revising the Chinese import tariff.

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<sup>66</sup> Substance communicated by the Department to the Minister in China, Dec. 15, 1917, 6 p.m.

<sup>67</sup> Similar instruction sent to Mr. John K. Sague, regarding his appointment as member of the American Delegation.

<sup>68</sup> Not printed.

You are hereby instructed to proceed to Shanghai where the Delegation will be provided with office quarters and the clerical assistance needed for the prosecution of its work.

You have been designated Chairman of the American Delegation, and the other member thereof will be John K. Sague, Esquire. Mr. Nelson E. Lurton has been appointed Secretary and Disbursing Officer of the Delegation and there has also been appointed a stenographer.

By the treaties between the United States and China the customs tariff was fixed at five per cent *ad valorem*; and the tax thus stipulated was converted into specific duties.

These specific duties, it is thought, no longer amount to five per cent *ad valorem* and it has been agreed by the Department of State at the request of the Chinese Government that the specific duties shall be revised and a new schedule of import duties prepared which will conform to the requirement of the treaties as regards the rate *ad valorem*. You are hereby therefore instructed and authorized to confer with the delegates appointed by various interested powers with a view to arranging such a new schedule of import duties, subject however, to the approval of this Government, and, inasmuch as the schedule of duties adopted in 1902 was made a part of the Commercial Treaty of 1903 between the United States and China, the new schedule to be agreed upon by your Delegation in conference with the delegates of other Governments, represented, will, after its acceptance by the various powers concerned, have to be embodied in a convention between the United States and China, to be submitted to the United States Senate for ratification before it can become effective in so far as concerns American trade with China. Commissioners for the negotiation of such a convention will be appointed after the general acceptance of the new schedule. The first question for settlement by the conference, the Department is informed, will be to determine the years of which the prices are to be taken as a basis for the computation of values, whether those preceding the outbreak of the present wars in Europe or those since that date.

You are further instructed as the delegates agree, from time to time, upon the duties to be levied upon any class of commodities, to report them promptly to the Department for review and for approval or rejection.

Should any question arise not covered by this letter you are directed to telegraph the Department for further instructions.

I am [etc.]

ROBERT LANSING

693.003/441 : Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, December 11, 1917, 9 a.m.

[Received 3.10 p.m.]

My telegram November 16, 8 p.m. Conference meets January 5th. Japanese Government suggests that to expedite matters preliminary agreement be made to the effect that the average value of merchandise during 1911, 12 and 13 be taken as the basis of customs revision. The French Legation and Belgian propose that the conference take action by a majority vote. Their motive is to avoid possible obstruction by any neutral. I have the honor to ask your instructions on both matters.

REINSCH

693.003/441 : Telegram

*The Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, December 13, 1917, 6 p.m.

Your December 11, 9 a.m.

Since matters referred to in your telegram appear to relate to data which it may be proper for conference to consider in connection with its deliberations and to rules under which the conference shall operate, it seems to Department that these are matters which may in the first instance properly be considered by delegates themselves, and that it may be inadvisable for participating Governments to endeavor prior to opening of conference to place limitations on its action and to prescribe methods of procedure for it. **If later it seems** advisable to support the proposed action, advise Dept. fully giving reasons.

LANSING

693.003/451

*The Minister in China (Reinsch) to the Secretary of State*<sup>69</sup>

No. 1811

PEKING, December 19, 1917.

[Received January 16, 1918.]

SIR: I have the honor to point out that there seems to have been a misunderstanding in the reading of my telegram of November 19, 7 p.m.,<sup>70</sup> relating to the special customs duty arrangement on the Manchurian frontier. Your telegram of December 16th [15th], 6 p.m.,<sup>71</sup> states that it is inexact that the French Government has

<sup>69</sup> Transmitted to the Ambassador in France in instruction No. 1995, Feb. 16, 1918.

<sup>70</sup> Not printed; see telegram from the Department to the Ambassador in France, Nov. 22, 1917, p. 642.

<sup>71</sup> See footnote 66, p. 644.

taken the initiative in asking the exemption, etc. My telegram of November 19, 7 p.m. stated merely that the British Minister believed that his government was urging the French Government to relinquish the precedent which is the basis of the Russian claim. This precedent is the arrangement which was made by the Convention of June 26, 1887, between France and China, which diminishes by  $\frac{3}{10}$  the tariff on goods transported through the treaty ports of the Franco-Chinese border, together with the understanding, in 1902, that the customs duties paid on the Franco-Chinese frontier should not be affected by the revision then made. It is this latter precedent which it is believed the Russian Legation was relying on in its present demand that the new revision should not affect the duties as actually levied at present on the Russo-Manchurian frontier. I also understand that while the British Government had made similar arrangements with respect to the Burma-Chinese frontier, it is ready to forego the privilege of having the duties there remain unchanged and unaffected by the impending revision.

I have the honor to refer to my despatch No. 1715, of November 10, 1917.<sup>72</sup>

I have [etc.]

PAUL S. REINSCH

693.003/445 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, January 12, 1918, 6 p.m.

Your Number 1715 of November 10<sup>72</sup> and Department's December 15, 6 p.m.<sup>73</sup>

The American Government considers it important that land frontier tariff as well as maritime should be revised otherwise sea-borne commerce under increased rates will be at additional disadvantage. A failure to revise the land frontier tariff may endanger the acceptance of the revised maritime tariff. At present the lack of a recognized Government in Russia makes it impossible to discuss the question with Petrograd, but you are instructed to bring the American views to the attention of the Chinese Government.

POLK

693.003/452 : Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, January 18, 1918, 7 p.m.

[Received January 19, 2.23 a.m.]

My despatch number 1772.<sup>74</sup> The Chinese Government has renewed its request for the immediate institution of a surtax on customs

<sup>72</sup> Not printed.

<sup>73</sup> See footnote 66, p. 644.

<sup>74</sup> Ante, p. 643.

duties because of the delay probably incidental to the work of the customs conference. I beg to request instructions to the American Legation.

The Chinese Government now proposes that the year 1918 be taken as a compensation basis for any such valuations. It argues that an extra 5 per cent has been promised which would by no means be obtained by taking the years 1911-13. Arnold and myself believe Chinese entitled to higher valuation than the period suggested. I venture to suggest that five years 1913-17 would be a basis fair to all.

Await further instructions from the Department.

Arnold believes majority rule will not be adopted by Conference on account of Japanese opposition. He fears obstructions to effective work and delay. As suggested action of the Conference is purely administrative in execution of treaty obligation, fortified by special promise recently given to China, it would be unjust to delay action. Determination by majority vote subject to final ratification would be most likely to yield concrete result and also eliminate danger of possible obstruction by pro-German interests.

REINSCH

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693.003/454 : Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, January 23, 1918, 6 p.m.

[Received January 24, 12.44 p.m.]

The Allied Ministers have decided to recommend to their Governments that the period 1911 to 1913 be taken as a basis of valuation for customs duties without such general surcharge as will insure an effective 5 per cent, also that a new revision be made two years after the war. Your instructions to the delegation are requested.

The Japanese representative had informed the Ministers that his Government insisted on the period 1911 to 1913, that it was practically an immediate temporary surtax and to determine decisions by a majority vote. This attitude did not make a favorable impression.

REINSCH

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693.003/454 : Telegram

*The Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, February 2, 1918, 4 p.m.

Your January 18, 7 p.m. and January 23, 6 p.m. Question of the immediate institution of surtax on customs duties or [of?] flat 5 per cent rate now being considered by the Department.

Other questions raised in above mentioned telegrams are answered by Department's December 13, 6 p.m., which please communicate to Arnold if this has not already been done.

Department disposed to favor valuations based on period 1913 to 1917, inclusive, but believes it would be best to leave such questions to the judgment of the Conference. Policy of the Department is to leave, as far as possible, all questions concerning the revision of the tariff to the Conference. Interference on the part of interested governments, except where necessity seems to make recommendations imperative, will greatly handicap the Delegates in the expeditious and careful handling of their work.

LANSING

693.003/458 : Telegram

*The Chairman of the American Delegation (Arnold) to the Secretary of State*

SHANGHAI, February 4, 1918, 6 p.m.

[Received February 4, 1 p.m.]

China requests, pending final tariff revision, a temporary surcharge involving 50 per cent advance in valid basis on present tariff allowing an optional 5 per cent *ad valorem* on present Hong Kong valuations on any disputed items. American delegation favorable. Does Department sanction?

ARNOLD

693.003/469

*The Chairman of the American Delegation (Arnold) to the Secretary of State*

SHANGHAI, February 7, 1918.

[Received March 12.]

SIR: I have the honor to report that the China Tariff Revision Commission had its fourth session yesterday, February 6th and completed its Rules of Procedure. It was decided that the majority vote should obtain, but that each delegation reserves the right to refer any matters to its home government for action.

It was also decided to provide for the appointment of sub-committees to consider questions of special importance where sub-committee's action might be deemed advisable, and that the chairman in appointing these committees would do so with the approval of the Commission and with the understanding that those countries interested in the subjects for special discussion would be expected to have



representation on the sub-committee. The Japanese and British delegates wished to have adopted a stipulation to the effect that the sub-committees be comprised of delegates of the countries especially interested in the matters to be submitted to the sub-committee and a unanimous vote in sub-committee be necessary for final action. The American Delegation, along with those of certain other countries, opposed the unanimous rule for sub-committee reports, as also the idea of including in these committees only those delegates of the especially interested countries. The ideas of the American Delegation in these connections prevailed, both the British and Japanese delegates finally agreeing to their acceptance.

The proposed provisional tariff pending the completion of the Commission's labor was again put before the meeting by the chairman. The British delegate announced that his government had sanctioned the enactment of this particular schedule and that he was ready to proceed with the ways and means of securing a provisional enactment which will give to China a 5% *ad valorem* pending the final outcome of the Commission's labors. With the exception of the Japanese delegate, the remainder of the Commission were apparently ready to join the British delegate in this attitude. The Japanese delegate, however, stated that he is still awaiting instructions from his government as to its wishes in this matter and that he could not even discuss the matter until he had instructions from his government in this connection.

The meeting then adjourned until Friday, February 15th, at which time the Japanese delegate said he hoped to be able to discuss this matter and would be fully informed by his government as to its attitude in this connection.

I have [etc.]

JULEAN ARNOLD

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693.003/461: Telegram

*The Chairman of the American Delegation (Arnold) to the Secretary of State*

SHANGHAI, February 9, 1918, 1 p.m.

[Received February 9, 9.10 a.m.]

Does Department sanction American delegation joining others in agreement with China for temporary surcharge of from 30 to 50 per cent on present question of valuations pending final adoption of revised schedule?

ARNOLD

693.003/461 : Telegram

*The Secretary of State to the Consul General at Shanghai  
(Sammons)*

WASHINGTON, *March 1, 1918, 3 p.m.*

For Arnold. Your February 4, 6 p.m., and February 9, 1 p.m.

Department regrets that it is unable to join in agreement for temporary surcharge. Such surcharge would in effect be a change in the schedules fixed in the present commercial treaty between the United States and China which would amount to a modification of a treaty (a supreme law of the land) by purely executive action—a procedure open to criticism by American citizens whose treaty rights might be affected. It will of course be understood that the Department sympathizes with the Chinese Government in its desire to obtain the requested temporary relief and but for the fact that so much time would be required for the negotiation and ratification of a new treaty authorizing the surcharge, which delay would divest the surcharge of its character as an immediate and temporary expedient, the Department would be glad to seek the desired relief through this medium. The Department hopes that the American delegates will exert their influence upon the conference with a view to expediting its work as much as possible, thus reducing to that extent the need for temporary relief.

LANSING

693.003/477 : Telegram

*The Chairman of the American Delegation (Arnold) to the Secretary  
of State*

SHANGHAI, *April 25, 1918, 7 p.m.*

[*Received April 25, 4.53 p.m.*]

Japanese delegation trying to secure recognition of Shanghai customs valuations for years 1912–1916 inclusive as basis of valuations for a national debt [*tariff*] revision allowing for correction of inaccuracies in these valuations. American delegation unqualifiedly opposed to accept customs valuations on principle as customs admit they abound in discrepancies having been taken from importers' application[s] without proper checking to serve for statistical purpose and not for assessment purposes and not for duty. If accepted as basis of valuation burden [of] proof of inaccuracies remain[s] with those protesting them; moreover, acceptance would embarrass those on Commission intent upon securing just consideration for all, including Chinese. Furthermore, their acceptance would create vicious precedent for future revision, penalizing honest declarations and forcing customs [to] create elaborate checking machinery, diffi-

cult under extraterritorial conditions and which might better be used for outright 5 per cent *ad valorem* tariff. American delegation strongly urges [Shanghai] market valuations as basis with customs valuations as guide rather than forced basis. It appears Allied Ministers agreed to support Japanese recommendation but apparently not thoroughly informed regarding true significance [of] customs valuations, difficulties attending corrections of these valuations and embarrassment which their acceptance would cause other members of Commission, nor do they seem to appreciate dangerous precedent which will be established by acceptance of customs valuations.

ARNOLD

693.003/476 : Telegram

*The Secretary of State to the Ambassador in Japan (Morris)* <sup>75</sup>

WASHINGTON, May 1, 1918, 3 p.m.

American Legation Peking telegraphs that Allied Ministers have agreed to recommend Japanese proposal that International Conference for Revision Chinese Customs, now sitting at Shanghai, adopt as basis for tariff revision, with proviso inaccuracies may be corrected, customs valuations for years 1912 to 1916, inclusive, which valuations, it is stated, customs authorities admit abound in serious discrepancies; and that American delegates at Conference unqualifiedly oppose on principle acceptance of customs valuations because burden of proof of inaccuracies would rest with those protesting them and acceptance of customs valuations would create undesirable precedent for future revision, placing premium on inaccurate declarations and forcing customs to provide elaborate checking machinery which might better be used for outright 5 per cent *ad valorem* duty. Minister adds that American delegates strongly favor Shanghai market values as basis with customs valuation as guide rather than as forced basis and if five years deemed impracticable for determination of valuations, they recommend 1916 year as basis with proviso for an optional 5 per cent *ad valorem* where importers find duties at any time in excess of 5 per cent.

While Department's attitude has been that such questions should be left entirely to the Conference for determination, still it desires that the government to which you are accredited shall know that it believes the acceptance of customs valuations would work a hardship on the Chinese Government and possibly other interested governments. Department favored years 1913 to 1917, inclusive, for purposes of valuations, but has no particular objection to years 1912 to 1916, inclusive, if Shanghai market valuations are used as a basis

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<sup>75</sup> The same, May 1, to the Ambassadors in France (No. 3775) and Great Britain (No. 7513).

with customs valuations as a guide instead of an actual basis. As an optional basis year 1916, with proviso above recommended, would seem to offer a working arrangement fair to all. You will bring this matter to the attention of the Government to which you are accredited with a view to obtaining its approval, if possible, of the American delegates' suggestion, or of some basis of calculation more favorable to China than customs valuations would be.

LANSING

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693.003/487 : Telegram

*The Ambassador in France (Sharp) to the Secretary of State*

PARIS, June 11 [10<sup>h</sup>], 1918, 11 p.m.

[Received June 11, 6.34 a.m.]

4157. Your 3775 May 1, 3 p.m.<sup>76</sup> I duly submitted to Foreign Office matter of Chinese tariff revision or more exactly the application of the actual rate of 5 per cent. Ministry for Foreign Affairs replies under date of 8th instant that Minister of France at Peking having informed French Government of the proposals previously made by the Japanese Government regarding the bases of valuations to be adopted, they were submitted to the consideration of the Minister of Commerce who has just reported that the interests of French commerce would in nowise be prejudiced by the adoption of the system proposed, that is to say the adoption as of valuation of the average prices of the years 1912 to 1916 according to the customs estimates. In view, however, of the objections raised by the American delegates who seem convinced that the latter system would work hardship on the Chinese Government, the Minister of France at Peking has been requested to furnish certain precise data to enable French Government to appreciate the possible results growing out of either system. The Ministry adds that once in possession of this information it will not fail to take into consideration the possibility of proposing some equitable transaction agreeable to all the interests concerned.

SHARP

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693.003/488 : Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, June 14, 1918, 4 p.m.

[Received June 14, 12.26 p.m.]

Your June 12, 3 p.m.<sup>77</sup> Japanese Government now proposes as basis for revised custom[s] duties the average values of merchandise dur-

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<sup>76</sup> See footnote 75, p. 652.

<sup>77</sup> Not printed; it communicated the substance of the foregoing telegram from the Ambassador in France.

ing years 1912-16 to be determined by the Shanghai conference seeking guidance from the customs valuations and all other available evidence. The other ministers due to accept this as the best terms that can be obtained. The British Government insist this tariff is to be subject to revision in whole or in part two years after the war. It is also to be the understanding that the work of revision is to be completed within three months if possible.

The American delegation considers one year, 1916, preferable as a basis for a short term tariff but acquiesces in proposal for a period of five years.

The proposal to take the customs estimates as a primary basis, as reported in my telegram of April 24, 4 p.m.,<sup>78</sup> has now been abandoned, all other available evidence being put on an equal footing. I beg to request your instructions whether American delegation should proceed on the suggested basis. Time lost by delay makes compromise advisable and commencement of work urgent.

REINSCH

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693.003/488 : Telegram

*The Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, June 17, 1918, 7 p.m.

Your June 14, 4 p.m. You are authorized to agree to the proposal of Japan, and instruct the American delegation accordingly.

LANSING

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693.003/528 : Telegram

*The Chairman of the American Delegation (Arnold) to the Acting Secretary of State*

SHANGHAI, December 4, 1918, 11 a.m.

[Received December 4, 6.33 a.m.]

Is American delegate correct in assuming that American acquiescence in present maritime tariff revision is dependent upon proportionate increases in frontier tariffs? American trade will suffer in competition with Japanese land borne trade if frontier tariffs not proportionately increased.

ARNOLD

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<sup>78</sup> Not printed; see the telegram from the chairman of the American delegation, Apr. 25, p. 651.

693.003/528 : Telegram

*The Acting Secretary of State to the Consul General at Shanghai  
(Sammons)*

WASHINGTON, December 5, 1918, 6 p.m.

For Arnold. Your telegram December 4, 11 a.m. While the question of frontier tariffs is important and an understanding as to proportionate increase desirable the Department understands that it is incidental to the main question under discussion and not a condition precedent to our agreement.

POLK

693.003/535 : Telegram

*The Chairman of the American Delegation (Arnold) to the Acting  
Secretary of State*

SHANGHAI, December 23, 1918.

[Received December 24, 8.58 a.m.]

Tariff Commissions sessions concluded. Delegates unanimously agreed recommending to respective Governments adoption Commission's proposed revised tariff.

ARNOLD

693.003/541 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, January 18, 1919, 1 p.m.

[Received January 18, 1.18 p.m.]

I have the honor to recommend that the Department strongly urge the earliest possible ratification by the Senate of the Chinese customs tariff as revised at Shanghai as soon as the text is received. Most governments consider the revision as an essentially administrative act of bringing the duties imposed to the rate of 5 per cent effective as provided by the treaties. The British and Japanese delegations had full powers; those Ministers whose delegations were not plenipotentiary expect very early ratification by their home Governments.

As the Chinese Government was assured over a year ago that this act of justice toward China would be carried out made efforts [*sic*] that the ratification may not be delayed.

The Chinese Government proposes that new tariff is to go into effect one month after ratification by all treaty powers and is to apply to all goods shipped from their country of origin after that month has expired. The agreement of the American Government to this proposal has been requested.

With respect to the land frontier tariff Russian Minister has stated to his colleagues that as he conceives it to be his duty to keep all Russian rights *in statu quo* until a Russian Government shall have been constituted he shall therefore be obliged to enter formal objection to an increase of the duties on the Russian frontier. The general opinion is that it would be decidedly inequitable for any country to ask for its land frontier trade more than existing 33 per cent reduction from the general rate. Great Britain, Japan and France are willing to accept proportional increase of land frontier tariff. It is understood the tariff will be applied by the Chinese Government in spite of formal reservation of Russian Minister [omission] eventually would recognize the equity of the proportional increase.

I have the honor to recommend strongly that the American Government insist on the equitable increase because otherwise American commerce, altogether sea borne, will be placed under a great disadvantage, particularly in Manchuria.

REINSCH

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693.003/549a : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, February 19, 1919, 3 p.m.

Has final report of American delegation to Shanghai Tariff Commission with complete and corrected revised Tariff been forwarded to Department? What is status of new tariff *vis a vis* other treaty Powers?

POLK

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693.003/548 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, February 24, 1919, 4 p.m.

[Received February 25, 12.45 p.m.]

Your February 19th, 3 p.m. My telegram January 18th, 1 p.m. Final report was forwarded to you and Department of Commerce December 28th in the form of pamphlet of 38 pages with the title "Draft of revised import tariff" and a separate sheet, page 39, containing three rules of administration.

Japanese and Dutch Legation[s] are ready to approve now. British and French momentarily awaiting instructions from home Government. The attitude of the representatives to the Conference is that the revision is an administrative act for the purpose of [conserving] the principal of a 5 per cent tariff provided for by treaty;

in the absence of an effective machinery for the assessments of a 5 per cent *ad valorem* tariff by the customs administration prices of commodities are fixed over a certain period so as to obtain a concrete basis for assessing 5 per cent duty.

REINSCH

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693.003/556 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, *March 25, 1919, noon.*

[*Received March 25, 9.35 a.m.*]

My telegram of January 18, 1 p.m. The Chinese Government is very anxious to know whether the American Government has agreed to the Shanghai tariff revision. I sincerely hope that ratification has been effected as delay until meeting of Congress would mean loss of many millions of dollars to the Chinese Government. The Japanese Government has also made inquiry about this matter.

REINSCH

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693.003/556 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, *March 27, 1919, 6 p.m.*

Your March 25, noon.

Corrections to tariff mentioned Arnold's despatch of December 23d<sup>79</sup> not received. In the absence of a properly authenticated copy of schedule as finally agreed upon by Commission including all changes and corrections new treaty could not be prepared before Congress adjourned and cannot now be prepared until such official copy is received. Please forward such official copy properly authenticated and request Chinese Government furnish representative here full powers to conclude treaty.

While this Government will not be in a position, pending ratification by treaty, to give formal approval to the new schedules, Department will not be disposed of its own accord to make objection to the earlier enforcement of the new schedules provided they are accepted by the other governments concerned.

PHILLIPS

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<sup>79</sup> Not printed.



693.003/563

*The Chairman of the American Delegation (Arnold) to the Acting Secretary of State*

PEKING, April 3, 1919.

[Received May 19.]

SIR: I have the honor to enclose three additional copies of the Draft of the Revised Import Tariff as finally agreed upon by the China Tariff Revision Commission,<sup>80</sup> to which I was detailed as Chairman of the American Delegation.

Six copies of this draft were forwarded to the Department from Shanghai December 27th, but it appears from instructions received at the Legation that they were never received by the Department.

I have [etc.]

JULEAN ARNOLD

693.003/563 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, May 22, 1919, 2 p.m.

Department's March 27, 6 p.m. and April 28, 4 p.m.<sup>81</sup> Congress convened May 19. When will Chinese appoint plenipotentiary to negotiate new tariff treaty? Department has received letter of April 3, from Arnold transmitting copies of Draft of Revised Import Tariff. These copies bear no signatures or other evidence of official character. Were the tariff schedules and rules agreed upon signed by representatives of different powers? If so and signed copies have not been sent, please forward them earliest practicable moment. Advise Department by cable of situation. Important that this government should have copy of tariff and rules authenticated as identical with that approved by other governments.

POLK

693.003/564 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, May 28, 1919, 8 p.m.

[Received May 29, 8.15 a.m.]<sup>82</sup>

Your May 21st [22d], 2 p.m. Arnold states that delegates Tariff Revision Commission did not sign draft revised tariff, as some feared they would thereby prematurely commit their Governments. Printed draft and printed appendix, as forwarded Arnold's despatch of

<sup>80</sup> Not printed; the tariff list comprises 598 numbered items with many unnumbered subdivisions.

<sup>81</sup> The latter not printed.

<sup>82</sup> Text printed from corrected copy received May 30, 3.40 p.m.

April 3rd, to the Department, authentic. Foreign Office will cable Chinese Legation authorizing acceptance printed draft forwarded by Arnold as the basis for convention and empowering Chargé d'Affaires to sign.

REINSCH

693.003/564 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, June 6, 1919, noon.

Your May 28, 8 p.m.

Draft of Revised Import Tariff received with Arnold's letter of December 18, 1918,<sup>83</sup> had three rules on page numbered 39 pasted to draft, and sheet of additions and corrections pasted on inside front cover. No rules or additions and corrections with copies of Tariff received with Arnold's letter April 3. Advise whether those sent with letter December 18 were final and whether they and the Draft of Tariff were agreed to by delegates of foreign nations.

POLK

693.003/569

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2809

PEKING, June 9, 1919.

[Received July 22.]

SIR: I have the honor to report that acting under the authority contained in your telegram of March 27th, 6 p.m., I have today addressed to the Minister for Foreign Affairs a note, of which I enclose a copy, informing the Chinese Government that while the United States Government is not able at the moment to give formal ratification by treaty to the revised import tariff owing to the adjournment of Congress, the Department of State will not be disposed of its own accord to make objection to the prior enforcement of the new schedules provided the other governments concerned agree thereto. The text of this note has formed the subject of an agreement between the various Missions concerned, with a certain minor modification in that sent by this Legation due to the fact that formal ratification has not yet been given by the United States. The revised import tariff has now been accepted by all of treaty Powers with the exception of Mexico, Denmark and Switzerland. The Spanish Minister has today telegraphed to the Mexican Minister, who is at present in Tokyo, with the object of securing ratification by Mexico, and the Danish Charge d'Affaires has telegraphed to Copenhagen for the same purpose.

<sup>83</sup> Not printed; for the rules in question, see pp. 663-664.

I trust that it will have been possible to secure formal ratification by the Senate before this despatch reaches the Department.

I have [etc.]

PAUL S. REINSCH

[Enclosure]

*The American Minister (Reinsch) to the Chinese Acting Minister of Foreign Affairs (Ch'en Lu)*

No. 957

PEKING, June 9, 1919.

EXCELLENCY: With reference to my despatch of March 28th, I have the honor to inform Your Excellency that, while the United States Government is not able at the moment to give formal ratification by treaty to the Revised Import Tariff owing to the adjournment of Congress, the Department of State will not be disposed of its own accord to make objection to the prior enforcement of the new schedules provided the other Governments concerned agree thereto. It is understood that one month before the date of the enforcement of the new tariff, the Chinese Maritime Customs will give public notice that all shipments made during the ensuing month will continue to pay duty in accordance with the old tariff.

In this connection I have the honor to bring to the notice of Your Excellency's Government certain Resolutions which were passed by the Commission charged with the formulation of the new Tariff. In the interests of the trade between the two countries it is hoped that Your Excellency's Government will devise measures for giving effect to these recommendations with the least possible delay.

The 6 Resolutions of the Tariff Commission are as follows:

1. This Commission desires to invite the attention of the Chinese Government to the close connection existing between the question of Tariff Revision and Transit Pass administration, arising from the fact that any amendment of the scale of duties laid down in the Import Tariff implies a corresponding alteration of the fees chargeable on Inward Transit Passes.

We feel it incumbent on us to express the opinion that under the Inward Transit Pass system as at present administered foreign goods do not receive that full measure of protection from additional taxation to which they are entitled by treaty, and we would impress on the Chinese Government the urgent necessity of removing this grievance, which is a source of constant friction between the Chinese Government and foreign Powers.

While recognizing, moreover, that the general question of inland taxation is beyond the terms of reference of this Commission we desire to place on record our firm conviction that the innumerable exactions to which Chinese and foreign goods are now subjected,

whether at the place of production in transit, or at destination, constitute a serious obstacle to the free development of trade, and we would earnestly recommend to the Chinese Government the advisability of devising measures for the total abolition of all such forms of taxation.

2. To obtain the consent of the foreign Powers to the removal of the following articles from the prohibited list, namely, sulphur, saltpetre, and spelter; and to remove from the list of prohibited articles issued from time to time by the Customs the following articles: soda nitrate, nitric acid, hydrochloric acid, sulphuric acid, potassium salts, phosphorus, microscopes, surveying and drawing instruments, and iron pans, to simplify as far as possible the procedure of obtaining special permission from the Chinese Authorities for prohibited articles; and to publish a list of prohibited articles prior to the enforcement of the prohibition.

3. That in view of the inconveniences of using a factitious currency unit in Customs transactions, it is recommended that as soon as conditions permit the Haikwan tael shall be superseded by the standard dollar and the Tariff schedules be corrected into dollar values accordingly.

4. To reform the procedure of fixing duty-paying values of the *ad valorem* duty goods, and in particular to improve the Appraising Department in the principal ports by raising the status of the Appraisers.

5. That while the Commission desire to place on record their appreciation of the Customs returns, they would suggest to the authorities concerned that the following improvements be made in these returns:—

1. Yearly returns:—

(a) Fuller and more detailed information be supplied in the annual returns of imports and exports contained in Part III, and that a summary classified under countries, be given of the import and export trade done between China and the various foreign countries.

2. Half yearly returns:

(b) That, if possible, half-yearly returns should be published on the lines of the annual returns.

3. Quarterly returns:

That the quarterly returns be discontinued.

4. Daily returns:

(a) That identical forms be issued at all the treaty ports where reports are already issued and that these forms be on the lines of the present Shanghai Daily Returns.

(b) That the returns be separate in the case of exports, for local and trans-shipment cargo.

(c) That these returns be issued more promptly.

6. To alter arrangements in the present Tariff schedule.

I avail myself [etc.]

[PAUL S. REINSCH]

693.003/570

*The Chairman of the American Delegation (Arnold) to the Acting Secretary of State*

PEKING, June 10, 1919.

[Received July 24.]

SIR: I have the honor, referring to cabled instructions received by the Legation in regard to the rules of the revised tariff to confirm my suggested reply to the Department, which reads as follows:

"Your June 6-12 a.m. [noon.] Revised rules can be identified by word 'wholesale' before word 'market' in second line<sup>84</sup> of Rule I.

Rule IV on a separate sheet<sup>85</sup> reads as follows: The importation of opium and poppy seeds is absolutely prohibited. The importation of the following articles is prohibited except under bond by qualified medical practitioners, druggists and chemists: Morphia and Cocaine and Hypodermic Syringes; Anti-opium Pills containing Morphia, Opium or Cocaine; Novocaine, Stovaine, Heroin, Thebaine, Ghanja, Hashish, Bhang, *Cannabis indica*, Tincture of Opium, Laudanum, Codeine, Dionin and all other derivatives of Opium and Cocaine. This rule number four contains 64 words. Revised draft contains 38 pages and rules are numbered page 39."

Rule IV was not embodied in the draft rules, to be appended to the revised tariff, which were three in number, as forwarded to the Bureau, for the reason that as stated in the minutes of the meeting of the Commission of December 20, the Chinese Delegation considered it necessary to secure the special consent of the Treaty Powers to the addition of this rule, as it fell beyond the powers of the Commission to more than express an opinion on the subject. A copy of these minutes was forwarded to the Department by me under date of February 27.<sup>86</sup> The Chairman of the Commission informs me that the Chinese Government is securing from the Treaty Powers the consent to the Rule IV simultaneously with their ratification of the revised tariff. For this reason I suggested that the Legation cable the Department adding this rule and have also added it to the copy of the rules which are being enclosed with this despatch.

I am enclosing a copy of a subsequent issue of the proposed revised import tariff as published by order of the Inspector General of the Chinese Maritime Customs.<sup>86</sup> Rule IV has not been incorporated in the rules as printed in this draft, for reasons as above stated, and also a copy of the original draft with Rule IV added, as well as the

<sup>84</sup> Refers to manuscript in Department files; see third line of rule 1, p. 663.

<sup>85</sup> Refers to manuscript in Department files; rule IV, with a few typographical differences, is also printed on p. 664.

<sup>86</sup> Not printed.

errate, which is inserted on the inner side of the title page.<sup>87</sup> A copy of the minutes of the meeting of December 20, at which the revised tariff was unanimously agreed to by the delegates to the Commission, is also attached.<sup>88</sup>

I tender to the Department my humble apologies for the inconvenience which the Department has experienced in not receiving the original copies mailed December 27.

I have [etc.]

JULEAN ARNOLD

[Enclosure—Extract]

*Rules Annexed to the Proposed Chinese Import Tariff*

**RULE I**

Imports unenumerated in this Tariff will pay Duty at the rate of 5 per cent. *ad valorem*; and the value upon which Duty is to be calculated shall be the wholesale market value of the goods in local currency. This market value when converted into Haikwan Taels shall be considered to be 12 per cent. higher than the amount upon which Duty is to be calculated.

If the goods have been sold before presentation to the Customs of the Application to pay Duty, the gross amount of the *bonâ fide* contract will be accepted as evidence of the market value. Should the goods have been sold on c f. and i. terms, that is to say, without inclusion in the price of Duty and other charges, such c. f. and i. price shall be taken as the value for Duty-paying purposes without the deduction mentioned in the preceding paragraph.

If the goods have not been sold before presentation to the Customs of the Application to pay Duty, and should a dispute arise between Customs and importer regarding the value or classification of goods, the case will be referred to a Board of Arbitration composed as follows:—

- An official of the Customs;
- A merchant selected by the Consul of the importer; and
- A merchant, differing in nationality from the importer, selected by the Senior Consul.

Questions regarding procedure, etc., which may arise during the sittings of the Board shall be decided by the majority. The final finding of the majority of the Board, which must be announced within fifteen days of the reference (not including holidays), will be binding upon both parties. Each of the two merchants on the Board

<sup>87</sup> Only the rules are printed.

<sup>88</sup> Not printed.

will be entitled to a fee of Ten Haikwan Taels. Should the Board sustain the Customs valuation, or, in the event of not sustaining that valuation, should it decide that the goods have been undervalued by the importer to the extent of not less than  $7\frac{1}{2}$  per cent., the importer will pay the fees; if otherwise, the fees will be paid by the Customs. Should the Board decide that the correct value of the goods is 20 per cent. (or more) higher than that upon which the importer originally claimed to pay Duty, the Customs authorities may retain possession of the goods until full Duty has been paid and may levy an additional Duty equal to four times the Duty sought to be evaded.

In all cases invoices, when available, must be produced if required by the Customs.

#### RULE II

The following will not be liable to Import Duty: Foreign Rice, Cereals, and Flour; Gold and Silver, both Bullion and Coin; Printed Books, Charts, Maps, Periodicals, and Newspapers.

A freight or part freight of Duty-free commodities (Gold and Silver Bullion and Foreign Coins excepted) will render the vessel carrying them, though no other cargo be on board, liable to Tonnage Dues.

Drawbacks will be issued for Ships' Stores and Bunker Coal when taken on board.

#### RULE III

Except at the requisition of the Chinese Government, or for sale to Chinese duly authorized to purchase them, Import trade is prohibited in all Arms, Ammunition, and Munitions of War of every description. No Permit to land them will be issued until the Customs have proof that the necessary authority has been given to the importer. Infraction of this rule will be punishable by confiscation of all the goods concerned. The import of Salt is absolutely prohibited.

#### RULE IV

The importation of Opium and Poppy Seeds is absolutely prohibited. The importation of the following articles is prohibited except under bond by qualified medical practitioners, druggists, and chemists: Morphia and Cocaine and Hypodermic Syringes; Antiopium Pills containing Morphia, Opium or Cocaine, Novocaine, Stovaine, Heroin, Thebaine, Ghanja, Hashish, Bhang, *Cannabis indica*, Tincture of Opium, Laudanum, Codeine, Dionin, and all other derivatives of Opium and Cocaine.

693.003/566 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, June 25, 1919, noon.

[Received June 25, 9.23 a.m.]

All other powers concerned having accepted the revised import tariff the provisional acceptance authorized by your telegram of March 27th, 6 p.m.<sup>87</sup> was communicated to the Foreign Office on June 9th. The Chinese Foreign Office has now notified the several Legations that the revised tariff will be published on July 1st and put into effect from August 1st.

REINSCH

693.003/571a : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, October 17, 1919, 5 p.m.

With reference to revised Chinese tariff you will report by telegraph the present status of the tariff as regards the other powers specifying Powers which have accepted, first, revised tariff; second, Rules I to III; third, Rule IV. Please report also on conditions upon which, as the Department understands, the revised tariff went into effect on August 1. It was known to the Chinese at the time of the meeting of the Commission at Shanghai that it would require a convention to make the tariff effective as regards American citizens, and this Government is disposed to do everything to further the matter here. The United States has been left in a delicate position by reason of the lack of legal warrant for enforcing the revised tariff upon American goods. It is hoped that the Chinese Government will appreciate these difficulties and take immediate steps to regularize the situation by authorizing its Legation in Washington to sign a convention embodying the new tariff. As the Senate will probably adjourn shortly it is suggested that the Chinese Government present to the Legation at Peking the full powers for the purpose. The Legation should thereupon telegraph them to the Department forwarding the document by the first pouch.

ADEE

693.003/572 : Telegram

*The Chargé in China (Tenney) to the Secretary of State*

PEKING, October 27, 1919, noon.

[Received 1.51 p.m.]

Referring to the Department's telegram of October 17, 5 p.m. The following nations have accepted revised tariff and rule IV: Netherlands, Japan, France, Belgium, Great Britain, Russia, Portu-

<sup>87</sup> Ante, p. 657.



gal, Brazil, Sweden, Denmark, Italy; while Norway, Spain (and Panama?) have accepted tariff bill only. Position generally assumed by Chinese and foreign governments [is that] rules I to III being unchanged except in one unimportant point, require no new acceptance. Revised tariff publicly (notified?) on July 1 went into effect unconditionally on August 1; with two days [*sic*] exceptions, gasoline [omission], all articles shipped [during] July paid duty according to old tariff. Second. [Russia?] still maintains certain reservations regarding proportionate increase in land frontier duties which reservations however have not prevented the imposition of new schedule. The Chinese Foreign Office informs me that the powers to sign convention were telegraphed to the Chinese Legation several months ago (see my telegram of May 28, 8 p.m.<sup>89</sup>) but formal written powers will be handed this Legation within a few days upon which I will telegraph and mail in accordance with instructions from the Department.

TENNEY

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693.003/573 : Telegram

*The Chargé in China (Tenney) to the Secretary of State*

PEKING, November 13, 1919, 5 p.m.

[Received November 13, 1.12 p.m.]

Replying further to the Department[']s October 17, 5 p.m. the Legation has received from the Chinese Minister for Foreign Affairs a note dated November 11th stating that plenary powers had been granted Chinese Chargé d'Affaires Yung, at Washington, to negotiate and sign a convention embodying the revised customs tariff, together with appended rules and corrections, for which see the Legation's telegrams June 10, 6 p.m., and July 11, 5 p.m.<sup>90</sup>

The final draft of the tariff will be sent to Washington when printed, and in the meantime the Chargé d'Affaires has been instructed by telegraph to make amendments to rough draft and affix his seal thereto. Above mentioned note bearing official seal of the Ministry for Foreign Affairs will be forwarded in the next pouch.

If anything further is required Legation desires instructions.

TENNEY

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693.003/574

*The Chinese Chargé (Yung Kwai) to the Secretary of State*

WASHINGTON, November 14, 1919.

SIR: I have the honor to inform you that I have received a cablegram from the Waichiao Pu (Ministry of Foreign Affairs), dated

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<sup>89</sup> See telegram from the Minister in China, p. 658.

<sup>90</sup> Neither printed.

the 8th instant, authorizing me to sign with you a treaty between China and the United States giving effect to the new Chinese Import Tariff as revised by the Tariff Commission which completed its labors at Shanghai on December 20, 1918.

Accept [etc.]

YUNG KWAI

#### EMBARGO ON SHIPMENTS OF ARMS AND AMMUNITION TO CHINA

693.119/254 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, December 6, 1918, 4 p.m.

Your despatch D No. 2262 of October 8.<sup>91</sup> Have you any further recommendations? You may at your discretion discuss with your colleagues the restriction of supplies of arms and ammunition as well as of funds in connection with the plans for reconciliation of north and south.

POLK

693.119/420 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, April 5, 1919, 4 p.m.

[Received April 5, 12.15 p.m.]

My despatch number 2446, January 10.<sup>92</sup> The Japanese now seem ready to join in an agreement against making arrangements for furnishing arms to China. I shall proceed to make such an agreement with the colleagues concerned.

Such restrictions might be considered to operate unfavorably to the Southern and Central military who have not been supplied by the Japanese as have the Northerners. But I believe that the total impossibility of arms traffic will be beneficial. British Minister is of the same opinion.

REINSCH

693.119/421 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, April 10, 1919, 3 p.m.

[Received 6.50 p.m.]

Your December 6, 4 p.m. My telegram April 5, 4 p.m. As the Japanese Minister has finally indicated that his Government would

<sup>91</sup> Not printed.

<sup>92</sup> *Ante*, p. 291.

agree to a declaration against the import of arms and ammunition as suggested by you originally, the representatives of the five powers (Italy, Japan subject to detailed authorization) have decided to make a statement to the following effect, which the minister[s] of other countries here represented will be invited to join.

“The Governments here represented agree effectively to restrain their citizens and subjects from importing into China arms and ammunition until the establishment of a government whose authority is recognized throughout the country; and the Governments agree to prohibit also the importation of arms contracted for but not delivered during the above named period.”

As this action is the result of the American initiative and is in itself highly desirable I beg to request authorization.

REINSCH

693.119/421 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, April 14, 1919, 6 p.m.

Your April 10, 3 p.m.

You are authorized to give adherence to the declaration against the import of arms and ammunition, with the following understanding:

1. In January, 1919, Andersen, Meyer and Company were granted a license to export 5,000,000 cartridges to China. See Department's instruction number 922 of January 14, 1919.<sup>93</sup> A part of this order was shipped in February and has probably already been delivered. The remainder, 1,600,000 cartridges, was shipped April 5 and is therefore now *en route* to China and beyond the control of this Government.

2. Presumably the declaration will not operate against the shipment of sporting arms and ammunition in small amounts, not exceeding approximately \$1,000 in value. This Government will continue to grant licenses for small amounts of such arms and ammunition as it is understood that this traffic will not affect the military situation in China in any way.

3. The Department hopes that you and your British, French, Japanese and Italian colleagues will be able to make the agreement effective by persuading the representatives of other countries of the necessity of such action for the general welfare and by dissuading the Chinese authorities from attempting to secure arms and ammunition for military purposes from any other sources.

POLK

<sup>93</sup> Not printed.

693.119/421 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, April 15, 1919, 6 p.m.

Your April 10, 3 p.m.

Does arms agreement contemplate the inclusion of Dalny as a Chinese port to which consignment of arms and ammunition other than sporting arms and ammunition in small lots is to be prohibited. The Department believes Dalny should be so included and you should consult with your colleagues with that end in view.

POLK

693.119/273

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2725

PEKING, May 10, 1919.

[Received June 7.]

SIR: In continuation of my despatch No. 2663 of April 4th<sup>94</sup> I have the honor to enclose copies of the following documents: (1) an answer from the Japanese Minister dated April 13th<sup>94</sup> to my note of April 3rd,<sup>94</sup> and (2) joint note sent to the Foreign Office on May 5th relating to the restriction of import of arms and ammunition into China.

In this connection I have the honor to report that at a meeting of the Diplomatic Corps on May 3rd when the above action was definitely decided upon, I made the statement that it was my understanding that the restrictions contemplated included all the Leased Territories in China such as, among others, Tsingtau and Dairen. This understanding was specifically stated to be correct by all the Ministers present, including the British, French and Japanese.

At a meeting of the Diplomatic Corps on April 26th in which it was decided upon principle to take the action reported on, I stated that the American Government would not after this issue export licenses for arms and ammunition with destination to China; and that therefore no arms or ammunition not shipped before that date could be imported into China. I repeated this statement on May 3rd.

The reception which will be given to the action of the Powers in this matter by the different parties in China is not yet apparent. The interruption of all telegraphic communication keeps matters at a standstill.

I have [etc.]

PAUL S. REINSCH

<sup>94</sup> Not printed.

[Enclosure]

*The Dean of the Diplomatic Corps in China (Jordan) to the Chinese Acting Minister of Foreign Affairs (Ch'en Lu)*

[PEKING, May 5, 1919.]

SIR: The Diplomatic Body in considering the present state of disunion between North and South in China have been impressed by the fact that the continued possibility of importing military arms and ammunition into the country from abroad could not but exercise a disturbing influence, and as the friendly Powers here represented are firmly determined to discountenance any condition or action which might favour the reversion to hostilities, I am desired by my Colleagues to make the following communication to the Chinese Government.

The Governments of Great Britain, Spain, Portugal, the United States, Russia, Brazil, France and Japan have agreed effectively to restrain their subjects and citizens from exporting to or importing into China arms and munitions of war and material destined exclusively for their manufacture until the establishment of a government whose authority is recognized throughout the whole country and also to prohibit during the above period the delivery of arms and munitions for which contracts have already been made but not executed.

The Representatives of the Netherlands, Denmark, Belgium and Italy are also in full accord with the above policy, but await the instructions of their respective Governments before announcing the adhesion of the latter.

The Foreign Representatives desire to express the earnest hope that the Chinese Government in keeping with this policy will on their part agree to suspend the issue of permits to import military arms, ammunition and munitions of war and will direct the Customs that the introduction of such articles is absolutely prohibited.

[I avail myself, etc.]

J. N. JORDAN]

693.119/271 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, May 17, 1919, 7 p.m.

[Received May 18, 2.31 p.m.]

Italian Government has accepted arms importation embargo with the exception of war materials already contracted for. It is feared that if this exception is maintained the entire agreement will be upset. Your instructions are requested.

REINSCH

693.119/271 : Telegram

*The Acting Secretary of State to the Ambassador in Italy (Page)*

WASHINGTON, May 20, 1919, 6 p.m.

2153. The representatives at Peking of the Governments of Great Britain, France, Japan and the United States communicated the following statement, on instructions from their respective governments, to the Chinese government on May 5:

"The Governments here represented agree effectively to restrain their citizens and subjects from importing into China arms until the establishment of a Government whose authority is recognized throughout the country; and the Governments agree to prohibit also the importation of arms contracted for but not delivered during the above named period."

Minister Reinsch telegraphed May 17 that the Italian Government has accepted the statement with the exception of war materials already contracted for. Insistence on this exception may make entire agreement ineffective. Please ascertain if Italian Government is not willing to and urge that it do withdraw its exception for the sake of uniformity of action which is most essential.

POLK

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693.119/271 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, May 21, 1919, 6 p.m.

Your May 17, 7 p.m.

Matter will be taken up with Italian Government.

In the meantime you may confer with your colleagues with a view to persuading the Italian representative to recommend to his Government that the exception be withdrawn. Uniformity of action is most essential.

POLK

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693.119/277 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, July 2, 1919, 3 p.m.

[Received July 2, 3.05 p.m.]

Navy Department has made a contract with Japanese firm for the purchase of arms and ammunition. Alleging necessity of suppressing piracy, Chinese Government asks for raising of arms embargo. General opinion is no change should be made as yet.

REINSCH

693.119/277 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, July 3, 1919, 9 p.m.

Your July 2, 3 p.m. Department agrees that terms of note to Chinese Foreign Office of May 5th<sup>98</sup> placing an embargo on arms and ammunition consigned to China should be maintained.

PHILLIPS

693.119/281 : Telegram

*The Minister in China (Reinsch) to the Secretary of State*

PEKING, August 30, 1919, 5 p.m.

[Received August 30, 4.36 p.m.]

Chinese Government inquires of the Diplomatic Corps whether the embargo on arms and ammunition includes raw material for the manufacture of the same. I have the honor to request your instructions.

REINSCH

693.119/281 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, September 10, 1919, 5 p.m.

Your August 30, 5 p.m. Department has interpreted your 2760 of May 19, 1919,<sup>99</sup> as including raw material for manufacture of arms and ammunition and has only recently held it to include the machinery used in their manufacture.

PHILLIPS

693.119/289 : Telegram

*The Secretary of State to the Ambassador in Great Britain (Davis)*

WASHINGTON, November 17, 1919, 5 p.m.

6187. The Legation at Peking reports the conclusion of an agreement between Vickers Limited and the Chinese Minister of War for delivery of aeroplanes accompanied by a letter by which Vickers agree to substitute 60 per cent of the order with other unspecified products if Chinese Government so desires. You are instructed to enquire whether this contract has received the approval of the British Government in view of the joint representations of the Diplomatic Body at Peking on May 5, 1919,<sup>98</sup> to the Chinese Govern-

<sup>98</sup> See p. 670.<sup>99</sup> Not printed; substance conveyed to the Department by despatch No. 2725, of May 10, p. 669.

ment by which the Powers agreed effectively to restrain their subjects and citizens from exporting to or importing into China arms and munitions of war and of material destined exclusively for their manufacture until the establishment of a Government whose authority is recognized throughout the whole country. You may inform the British Government that this Government has placed the broadest interpretation possible upon this understanding even to the extent of discouraging contracts by American firms for machinery and raw materials used in the manufacture of munitions, and ask what interpretation the British Government has placed thereon.

LANSING

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893.51/2552 : Telegram

*The Ambassador in Great Britain (Davis) to the Secretary of State*

LONDON, November 22, 1919, 2 p.m.

[Received 3.20 p.m.]

3430. Your 6187 discussed yesterday with Foreign Office which informs me that the agreement was for a credit loan the proceeds of which are to be spent in Great Britain on commercial aeronautical material wholly unsuited for any military purpose whatever. Foreign Office adds that its interpretation of the joint representations to the Chinese Government of May 5th, 1909 [1919]<sup>1</sup> is the same as ours.

The Vickers' loan was advertised in the British press in the middle of October as £1,803,300 sterling Chinese Government 8 per cent sterling Treasury notes 1925-1929 issued to Vickers Limited and floated by Lloyds Bank Limited at £98 sterling for the above mentioned purpose.

I await further information regarding your 6192 November 19, 5 p.m.<sup>2</sup>

DAVIS

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693.119/289 : Telegram

*The Secretary of State to the Ambassador in Italy (Page)*

WASHINGTON, November 28, 1919, 2 p.m.

2384. With reference to Department's May 20th, 6 p.m.<sup>3</sup> French Ambassador states his Government is instructing its Embassy at Rome to make representations to Italian Government concerning its attitude on the question of export of arms to China, and asks

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<sup>1</sup> See p. 670.

<sup>2</sup> Not printed.

<sup>3</sup> *Ante*, p. 671.



that you be instructed to join in said representations. In view of Department's May 20th, 6 p.m. the French Government has been recommended to instruct its Embassy to confer with you in this matter. You may join in proposed representations but it is suggested that before doing so you take into consideration the question whether it would be opportune at the present time for you to renew your representations in this matter.

LANSING

#### EXTRATERRITORIALITY<sup>4</sup>

##### **Suggestions for the Abolition of Extraterritoriality in China—Refusal of the Chinese Government to Accord Extraterritorial Rights to Nationals of New States**

793.003/1

*The Chargé in China (MacMurray) to the Secretary of State*

No. 2184

PEKING, August 9, 1918.

[Received September 18.]

SIR: I have the honor to refer to a communication, under date of July 16th last, with which Mr. Charles Denby, special assistant to the Department of State, enclosed a memorandum embodying a suggestion that the foreign courts of all nationalities conducted under the system of extraterritoriality in China be abolished, and that China be urged to establish courts of her own with jurisdiction over cases in which foreigners are parties.

I venture to comment that this suggestion, although perhaps not realizable in the immediate future, would nevertheless seem to indicate a stage of development towards which Chinese and foreign residents alike should find it advantageous to strive. While it is true that the present administration of justice in China is not such as would warrant the inclusion of foreigners under its jurisdiction; and while it is further unfortunately true that the Chinese are in general apathetic and unresponsive to any suggestion of improvement, it may nevertheless be urged that this apathy is itself the result of the hopelessness with which they regard any possibility of obtaining the right to be entrusted with any responsible share in the administration of their laws where foreigners are concerned; I believe it is the fact that, in the case of this and of certain of the other limitations upon their sovereignty, imposed by the older treaties, the feeling of even the more ambitious Chinese is that the attitude of foreign nations, and particularly of Japan, has been such

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<sup>4</sup> See also pp. 408-409.

as to warrant no hope that a betterment of conditions through the efforts of China would receive the sympathy and cooperation of the powers.

If this belief be correct, there is at least an explanation, if not a justification, of the rather short-sighted view which the Chinese are too generally inclined to take towards the international obligations thus imposed upon them—the view that such restrictions upon their freedom of action should not only be jealously guarded with a view to preventing any undue enlargement of the privileges already conceded, but should whenever possible and by all available means be contested, evaded, and rendered nugatory. It is at least to be hoped that the proposal by our Government of a plan devised to allow them a fuller share of responsibility in dealing with foreign interests would encourage in the Chinese the broader and more far-sighted view, that only by deserving it can they entitle themselves to the enjoyment of fuller rights than have hitherto been allowed them. It was, of course, by a patient devotion to this ideal that Japan rid itself of extraterritoriality.

More recently, and under circumstances that, though less conspicuous, are perhaps even more remarkable by reason of the comparative smallness of the state concerned, Siam has in its more important international relations (i. e., with Great Britain and France) almost completely done away with the restrictions of extraterritoriality. As the Department is aware, this result has been accomplished largely through the influence of two American advisers, the late Mr. Edward Strobel, and Mr. Jens I. Westengard, who, under conditions which in many respects were analogous to those now prevailing in China, were able to bring the Siamese Government to the realization that by scrupulous observance of all the obligations imposed upon them, and by sedulous improvement of their legislation and judicial administration, they would eventually put themselves in a position to claim the sympathy and assistance of the powers with which their relations had hitherto been continually irritated by the attempt of Siam to minimize those obligations. The result was that save for certain safeguards, which are scarcely onerous to the Siamese, the jurisdiction over subjects of Great Britain and of France has been almost wholly rendered over to Siam, under a system not fundamentally different from that which Mr. Denby suggests as eventually possible in the case of China.

Although fully realizing the preoccupation of the Department, and feeling some hesitancy in urging consideration of a matter which may for the present be deemed somewhat academic, I venture to urge that the matter is one which is at least worthy of consideration; and I venture further to suggest that if this view is in any degree shared

by the Department, it would be advisable to consult Mr. Westengard (whose address is understood to be the Harvard Law School, Cambridge, Mass.) with a view to ascertaining his judgment upon a proposal which so closely resembles the plan which he brought to a successful realization in Siam.

I have [etc.]

J. V. A. MACMURRAY

[Enclosure]

*The Special Assistant to the Department of State (Denby) to the Secretary of State*

[PEKING,] *July 16, 1918.*

DEAR MR. SECRETARY: I enclose herewith a memorandum making a suggestion of a somewhat radical character in regard to the exercise of extraterritorial jurisdiction in this country. I beg you to give this matter your sympathetic attention as it is of vital interest to us here, and one of the great steps we can take to complete the post war program for the United States. This idea is my own, if [*is?*] entirely original in its present form and I want the American Government to have the benefit of it, and to this end I urgently recommend that you take it up at once with the Chinese Minister at Washington in a tentative way in order that to America may attach the credit and advantage of having first approached the Chinese Government in this sense.

Faithfully yours,

CHARLES DENBY

[Subenclosure]

*Memorandum of the Special Assistant to the Department of State (Denby)*

The time has not yet arrived to abolish extraterritoriality in China. Extraterritoriality as applied to citizens of the United States was established by the Treaty of Wang-Hea, signed in 1844,<sup>5</sup> Article[s] XXI and XXV of which read as follows:

#### ARTICLE XXI

“Subjects of China who may be guilty of any criminal act towards citizens of the United States shall be arrested and punished by the Chinese authorities according to the laws of China, and citizens of the United States who may commit any crime in China shall

<sup>5</sup> For text of treaty, see Malloy, *Treaties*, vol. I, pp. 196 ff.

be subject to be tried and punished only by the Consul or other public functionary of the United States thereto authorized according to the laws of the United States; and in order to the prevention of all controversy and disaffection, justice shall be equitably and impartially administered on both sides."

#### ARTICLE XXV

"All questions in regard to rights, whether of property or person, arising between citizens of the United States in China shall be subject to the jurisdiction of, and regulated by the authorities of their own Government; and all controversies occurring in China between the citizens of the United States and the subjects of any other Government shall be regulated by the Treaties existing between the United States and such Government[s] respectively, without interference on the part of China".

By the American Commercial Treaty signed at Shanghai in 1903<sup>e</sup> provision was made to abolish extraterritoriality at some proper time. Article XV of this Treaty reads as follows:

"The Government of China having expressed a strong desire to reform its judicial system and to bring it into accord with that of Western nations, the United States agrees to give every assistance to such reform and will also be prepared to relinquish extraterritorial rights when satisfied that the state of the Chinese laws, the arrangements for their administration, and other considerations warrant it in so doing."

It is evident that China has not yet established her right under our Shanghai Treaties to call upon us to abolish extraterritoriality, but there are growing evidences that extraterritoriality, as at present administered, is a barrier to our relations with China, and is a handicap to the Chinese themselves in their attempt to establish autonomous government free from foreign control. The extraterritorial provisions in the treaties which the foreign powers have imposed upon China were intended to protect the foreigner from the entire conflict between their ideas of legal administration and our own; above all to protect the foreigner from the possible animus of Chinese authorities against a litigant because of his nationality. Undoubtedly this purpose has been served and without this system foreign residence in China would have been impossible. The advantages of the system are manifest; the disadvantages were not foreseen at the time that treaties were put into effect. In the early days of the commercial intercourse of foreigners with the Chinese the foreign merchant's life was his own, he was quite content with his own little world, with his race course and his club. He conducted his business in a commercial house to which the Chinese

<sup>e</sup> *Ibid.*, pp. 261 ff.

customers in general had a limited access, and he conducted his business through his compradore, which person was his link with the Chinese world. He felt no necessity to learn the Chinese language, nor, in fact, to familiarize himself with the market with which he was dealing. To compensate himself for this deficiency, however, he had the protection of his own laws and the sanctity of his own national concession in some treaty port. The requirements, however, of modern business in China have changed all this. The young men of the great foreign firms, such as the British-American Tobacco Company, the Standard Oil Company and others find it necessary to go widely throughout the country. They are, in fact, breaking down the barriers which were heretofore highly prized by the foreign merchants and we now find these barriers which protected us from Chinese ill treatment in fact obstacles in the way of our intercourse with them. We do not get at the market nor do we get at the people. The missionaries have long outgrown this and in their intercourse with the Chinese the treaty port concession has lost its value. They have learned the Chinese language, they have mixed freely with the people; they have secured through treaty the right to secure land elsewhere than at treaty ports, and have, in fact, occupied the anomalous position of Foreigners resident throughout the Republic remote from any court that could bring them to trial for their misdeeds or for the settlement of their civil controversies. This is a lesson to the foreign interests in general that extraterritoriality while a protection is at the same time a distinct limitation on the activities of foreigners in this country. The Japanese have not been slow in finding this out. They reason with justice that if they can keep the foreign world chained to the principle of extraterritoriality, Chinese tariff and economic subjection they thus limit the foreign activity and leave it free to the Japanese to place themselves outside these restrictions. By reason of racial and linguistic similarity the Japanese have, in fact, readier access to the Chinese people than the foreigner can ever hope to have. They are profiting thereby to enter the markets of China freely and as it goes on there will be less and less doubt that they are gainers by what we have considered our own protective measures.

It is not probable that conditions in China at the present time would justify the abolition of extraterritoriality and the committing of foreigners and their rights to Chinese courts; something, however, can be done towards this end. It might be indicated to the Chinese Government that the United States contemplated with some concern the time when extraterritoriality could be abolished; that the United States Government recognized that the Chinese could never learn to administer justice in cases where foreigners were

involved without some experience in that administration, and that the United States Government proposed to lay before China some plan by which a gradual abolition of extraterritoriality could be accomplished.

We have in China at this date large interests such as the Foreign Maritime Customs, the Salt Gabelle, with its collection of enormous revenue, the railways with their semiforeign administration, all of which are conducted upon the principle that the Chinese is to be used as far as possible but that his activities are to be controlled by supervising foreign administration.

It is, therefore, proposed by the undersigned that the United States Government approach the Chinese Government with the proposition that a Ministry of Justice shall be established with a prominent jurist at the head of the same; that this Ministry should be charged with the duty of establishing local courts throughout the Chinese Republic; that the appointees of these courts should be in some cases foreigners with Chinese, and in some cases Chinese alone; that in all cases during the operation of this plan an appeal should lie from the Courts of first instance to a superior court which foreign officials would control. In this way all the Consular Courts with their natural bias in favor of their own nationalities could be abolished. We would inspire in the Chinese some sentiment of self-respect, and above all we could train them in their relations with foreigners so that eventually they would be able to conduct not only their own legal procedure but other functions of their government in their relations with foreigners.

The machinery of such an organization would not be complicated as compared with the Customs Service, the railways and the Salt Administration. It would not be necessary in the first instance to establish a great number of courts; the system could be allowed to grow, the sites of the Courts, the methods of procedure, etc. could be modified by experience and there is much reason to believe that in the course of a few years such a reliable machinery of justice could be built up as to justify us in turning the whole system over to the Chinese themselves.

In view of the fact that the Power which first offered to China some such plan as above outlined will receive its warm gratitude, it is recommended that the Minister of China at Washington be at once approached along these lines; that the above project be more carefully elaborated and that in time a convention be made with China to put it into effect. The advantages of the system are so manifest that no determined opposition need be feared from other Treaty Powers. The United States, England and France are all recognizing the restrictions they are under in their relations with

the Chinese by reason of their extraterritoriality. Commerce would profit by the innovation. China would be more widely thrown open to foreign intercourse, educational and missionary establishments would gather a new impetus and our political influence over the Chinese would be greatly widened. This seems the proper time to introduce this reformation. There will be much adjustment after the war, and this project might well be one feature thereof, free from any taint of selfishness or commercial gain. This idea is submitted now so as to gain for it a place in the affairs of China which will become subjects of post war negotiation. Now is the time to lay it before the Chinese and to secure their provisional acceptance of it.

CHARLES DENBY

PEKING, *July 16, 1918.*

793.003/1a : Telegram

*The Acting Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, *January 21, 1919, 4 p.m.*

338. For the Secretary. With the prospect that there will come before the Peace Conference the question of the abolition of extraterritoriality in China and the possibility that it may be granted, or at least some modification adopted, I should like to call your attention to the situation that will result if foreign consular jurisdictions were abolished or limited. I understand the status of legal reform in China to be as follows: the Chinese Government has adopted and put into operation a criminal code and laws of civil and criminal procedure based on the Japanese and continental systems. It has organized its newly established judiciary on the continental plan and is now preparing a civil code on the Japanese and continental basis. It is apparent that if China does adopt civil and commercial codes based upon the continental system, as in Japan, the rights and extensive commercial interests of American merchants and residents in China would suffer as compared with the adoption of a system based on the English common law.

It is believed that the foreign power which first makes an effort to so remove extraterritoriality as to be in keeping with modern events and to meet the views of China will largely control the movement to adopt a code. It would be most desirable that the role of adviser in this matter, if it materializes, should fall to the United States.

Under the circumstances, do you not believe that it would be well to enter into quiet conversations with the Chinese Government to the end that provisional steps may be taken to insure the adoption

of a code based upon the common law? It is believed that Dr. Koo would be sympathetic and might be instrumental in bringing his Government to a favorable point of view, and I suggest that if you approve the general idea you mention the matter to him.

The priority of the United States once secured in these negotiations would develop naturally. May I call your attention to Article XV of Treaty with China of 1903?<sup>7</sup>

If the matter meets with your approval and you will so advise me, I would like to make a suggestion for procedure.

POLK

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793.003/3 : Telegram

*The Commission to Negotiate Peace to the Acting Secretary of State*

PARIS, January 24, 1919, 10 a.m.

[Received January 25, 1.45 a.m.]

410. Your 338, January 21, 4 p.m. Your observations carefully noted. Two or three members of the Chinese Mission have mentioned the matter informally. They seem disposed to favor a policy of gradual preparation for the abolition of extraterritoriality on some such plan as is being followed in Siam. One delegate at least declared himself in favor of the employment of foreigners not as advisers but as officials of the Chinese Government in fiscal, judicial and other departments as vice ministers with real authority. I do not know that he has the support of his colleagues. The attention of the delegates was called to the unsuitableness to China of codes based on those of continental Europe. No commitments have been made by the American Commission. I shall be very glad to have your suggestions as to procedure. Lansing.

AM[ERICAN] MISSION

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793.003/3 : Telegram

*The Acting Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, January 25, 1919, 6 p.m.

419. Your 410, January 24, 10 a.m. My 338, January 21, 4 p.m. I believe that the gradual preparation for the abolition of extraterritoriality would be a wise and a just step, but at the same time I feel that some preparation should be made for the adoption of a judicial system to become effective as the extraterritoriality is modified. If it could be impressed upon the Chinese delegates that the continental codes which are now being drawn with the idea of their

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<sup>7</sup> See fourth paragraph of the subenclosure *supra*.



eventual adoption and which have reached the stage of being printed and distributed for study are not as suitable to their democratic form of government as a judicial system, code of procedure and the most important substantive law based upon the English common law, I feel that an effort to nullify that which has been done and to substitute for it a code based on the English common law might have some reasonable chance of success.

Dr. Willoughby is in America. I cabled you about him recently. He is a thorough student of political economy, knows the theory of the English common law, and fortunately has enjoyed the confidence of the Chinese Government to the extent of having been advisor to the Foreign Office. May I suggest that he might be sent to China and attached to the American Legation with instructions to proceed quietly in an effort to induce the Chinese Government to use the English common law or a code based upon it in place of the code which they are now preparing and which should become operative as and when the laws of extraterritoriality become inapplicable through such arrangements as will be made in Paris?

The subject involves matters of such great importance to America and its trade relations with China that I feel we would be warranted in taking any legitimate steps to insure the adoption of a civil code which would be in harmony with our own laws. The Japanese will make every effort to have the code of China and the judicial structure of China similar to those of Japan. Consequently, I feel that our efforts will have to be rather carefully exerted. I further feel that if an impression is made upon the minds of the officials of China now in Paris and a movement is started in Peking, it would not be without some hope of ultimate success.

POLK

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793.003/4: Telegram

*The Commission to Negotiate Peace to the Acting Secretary of State*

PARIS, February 3, 1919, 1 p.m.

[Received 7.40 p.m.]

566. Your 419 January 25th, 6 p.m. Without mentioning your suggestion or naming Doctor Willoughby I have inquired of Doctor Koo concerning the progress being made in the revision of the Colonial Office [*the codes*]. He informs me that the plan of making continental law the basis has been abandoned; that Wang Chung-hui in charge of the revision is a graduate of an English university and of Yale, well acquainted with English common law and is advised by Dennis,<sup>8</sup> American, and by an English adviser as well as by

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<sup>8</sup> William Cullen Dennis, legal adviser to the Chinese Government.

others. Wang's plan is to make Chinese custom law the foundation, adjusting it to modern conditions by a comparative study of other codes and by consultation with his advisers. This seems a very proper course to take. Before replying to your suggestions as to the appointment of Doctor Willoughby I should like to know what the Legation thinks of the advisability of making any such appointments. Please inquire of Peking. Lansing.

AM[ERICAN] MISSION

793.003/4a : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, February 6, 1919, 6 p.m.

With the prospect that there may come before the Peace Conference the question of the abolition of extraterritoriality in China the Department feels that some preparation should be made for the adoption of a judicial system to become effective as and when extraterritoriality is modified. The Department believes that the continental codes which are being drawn up now are not as suitable to China's democratic form of government or to our own extensive commercial interests as a judicial system, code of procedure and the most important substantive law based upon the English common law. The American Mission in Paris has been informed by one of the Chinese delegates that the plan of making continental law the basis of the new codes has been abandoned and that the plan of Wang Chung Hui now in charge of the revision is to make Chinese custom law the foundation adjusting it to modern conditions by a comparative study of other codes. What do you think of the advisability of the appointment of some suitable person to be attached to the Legation with instructions to proceed quietly in an effort to induce the Chinese Government to adopt as far as practicable the principles of the English common law in framing their new codes.

POLK

793.003/5 : Telegram

*The Acting Secretary of State to the Commission to Negotiate Peace*

WASHINGTON, February 26, 1919, 7 p.m.

888. Your 566, February 3, 1 p.m. Department's 419, January 25, 6 p.m.

Following telegram received from Peking:<sup>9</sup> "The appointment suggested by you of an expert of broad training would be most de-

<sup>9</sup> Telegram dated Feb. 18, 7 p.m.

sirable for the purpose indicated. Time is favorable." In view of this will you not give the matter further consideration, referring to telegrams cited above, and advise what your pleasure is. Doctor Willoughby probably will feel that he would not care to accept an assignment which would cause him to live there several years. You may have some other suggestion. If not, a careful inquiry will be made here, provided your answer is in the affirmative.

POLEK

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793.003/6 : Telegram

*The Commission to Negotiate Peace to the Acting Secretary of State*

PARIS, March 1, 1919, 11 a.m.

[Received March 1, 11.15 a.m.]

977. Your 888, February 26, 7 p.m. I doubt the advisability of going to the expense of maintaining at the Legation an unasked for adviser to the Chinese Government. Lansing.

AM[ERICAN] MISSION

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793.003/10

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2720

PEKING, May 9, 1919.

[Received June 7.]

SIR: I have the honor to enclose for your information copy of a translation of a presidential mandate concerning nationals of non-treaty countries, which appeared on April 28th.

Some of my Colleagues desire to bring up this matter for discussion as they are not sure whether nationals of the newly-liberated countries should not be taken under the protection of the Allied Ministers rather than to live under Chinese law.

As this is a very complicated question I should greatly value your telegraphic instructions as to whether I should cooperate in extending to such nationals protection which would give them the privileges of extraterritoriality.

I also have the honor to request instructions whether in cases where individual Roumanians, Czecho-Slovaks, Jugo-Slavs, Serbians or Poles should apply to the Legation for good offices, as has been done

in several cases, such good offices may be extended and in what measure this may be done.

I have [etc.]

PAUL S. REINSCH

[Enclosure—Translation]

*Presidential Mandate of April 28, 1919, Concerning Nationals of Non-Treaty Countries*

That all non-treaty nationals, residing and travelling in China, should respect and obey Chinese laws and orders, and cannot enjoy the protection accorded by another nation, was (embodied in a despatch) circulated to the provinces by the Ministry of Foreign Intercourse in the ninth moon of the 34th year of Kuang Hsu, during the former dynasty, as on record. Hereafter, all non-treaty countries wishing to enter into treaty relations with China should do so on the basis of equality. Those severing their connexion with their parent countries and establishing new independent states should not be allowed to succeed to the rights and privileges secured in the treaties signed by their parent countries. The peoples of these races now living within Chinese territory in large numbers should all obey and respect Chinese laws and orders in all matters of taxation and litigation. If any Third Power should demand the privilege of protecting them, such demands, one and all, must be rejected by quoting the authority above referred to. Regulations for the control of such non-treaty subjects should speedily be framed, for the guidance of the concerned. Let the Cabinet instruct all the offices controlling such matters to draft and submit these regulations as soon as possible. Let the high territorial officials issue circulars, ordering their subordinates to take note of and obey this Order.

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793.003/10 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, June 16, 1919, 4 p.m.

Your despatch No. 2720 of May 9.

Department does not consider that you should undertake to extend protection to nationals of non-treaty countries unless requested by those Governments, consented to by China and authorized by Department.

PHILLIPS

RELATIONS OF CHINA, JAPAN, AND THE UNITED STATES—THE  
SHANTUNG QUESTION<sup>10</sup>

Criticism by the Japanese Press of American Policy Regarding China—Reception in China of the Peace Conference's Decision on Shantung; Strikes and Boycott of Japanese Goods—Resolutions of the American Chamber of Commerce, the Anglo-American Association, and Other Organizations against the Decision—Complaints of the Japanese Government Regarding These Resolutions—Statements Regarding the Shantung Settlement by Viscount Uchida, August 3, and by President Wilson, August 6—Insistence of the American Government that the Sino-Japanese Agreements of 1915 and 1918 Should Not Enter Into the Settlement

793.94/770: Telegram

*The Chargé in Japan (MacMurray) to the Acting Secretary of State*

TOKYO, March 5, 1919, 5 p.m.

[Received March 7, 4.34 a.m.]

Simultaneously with subsidence of the interest aroused by Obata incident<sup>11</sup> about a fortnight ago the Japanese press began to carry numerous items many of them professing to be based on statements made by unnamed officials which seem designed to create distrust of American activities in China and which seek particularly to spread the belief that American residents there are responsible for anti-Japanese feeling of the Chinese.

Most of the newspapers recently printed an article bearing indications of official instructions [*inspiration?*] to the effect that certain American missionaries in Tientsin under instructions of the American authorities are accused of inciting the Chinese against Japan. *Hochi* has published a telegram that the houses of Japanese residents in Tongshan have been searched by our troops on the suspicion of hiding morphine and added that the Japanese authorities here admitted of similar information. The same newspaper also urges editorially that the American missionaries in China are spies, making it their business to injure Japan's reputation and working more openly now that the American policy of penetration in China has become more undisguised; and that America is a new Germany intriguing to obtain for itself the position formerly held by Germany in China.

In an article entitled "Publication of American-Chinese Secret Agreement," apparently in reference to the Bethlehem Steel Corporation contract of 1911 *Yamato* March 1 stated that that agreement provided that the United States could establish shipyards wheresoever desired along the coast of China in which to build warships exclu-

<sup>10</sup> See also pp. 333-334, 364-369, 386, 392, 403-406.

<sup>11</sup> See p. 333.

sively to be actually lent though ostensibly sold to China; and that the American Government had recently attempted to enforce this agreement, and naming Tong Shao-yi and others as connected with the agreement. The newspaper states that "Such being the case, the fact that the Southern notables in China are assuming a mistaken attitude toward Japan is due to obligations to a certain country and also to its laborers [*sic*]. There is reason to interpret the publication of plea [*plan*] for [internationalization] of Chinese railways<sup>12</sup> as a transfiguration of the secret agreement referred [to] or as a *quid pro quo* for this pact. Greater caution is therefore necessary for the conduct of Japan's policy toward China."

Semi-official Kokusai news service February 25 quoted an announcement of the War Office that it had received a telegram in regard to John Jay Abbott's visit China<sup>13</sup> which ended with the statement that "It is reported that negotiations are going on between the finance department of China and American capitalists for a loan of 5,000,000 yen with the object of employing the new loan for the emergency defense expenditures."

The newspapers have generally referred to the substance of the following statement circulated by Kokusai February 28. "Apropos of the alleged desire on the part of America to obtain the concession of the former German settlement in Tientsin, as reported in a vernacular paper this morning, the authorities in the foreign affairs department declare that it was agreed upon by the members of the Diplomatic Corps in Peking in December last year that the disposal of the said settlement should be left with the decision of the Peace Conference. Any arguments in favor of the said settlement through the channels other than the Peace Conference would be futile." Although it may be true as far as it goes, this statement lends itself to the apparent confirmation of the rumor that the United States is in fact seeking the reversion of German rights.

I have just learned in strict confidence that the statements above quoted as proceeding from the War Office and the Foreign Office were both given to Kokusai by the chief of the first section of the political bureau of the Ministry for Foreign Affairs.

It seems clear that Government officials are countenancing, if not in fact encouraging, the spread of the conviction that American activities and intentions in regard to China are antagonistic to Japanese interests.

MACMURRAY

<sup>12</sup> Probably refers to the plan for the operation of the Chinese Eastern Railway, see pp. 590 ff.

<sup>13</sup> See pp. 421 ff.

793.94/770 : Telegram

*The Acting Secretary of State to the Chargé in Japan (MacMurray)*

WASHINGTON, March 11, 1919, 4 p.m.

Your March 5, 5 p.m.

You may at your discretion categorically deny the reports in so far as the acts and purposes of this Government are concerned.

POLK

793.94/770 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, March 11, 1919, 7 p.m.

Tokyo Embassy telegraphs March 5, 5 p.m., that the Japanese press is publishing semi-official reports that certain American missionaries in China are inciting the Chinese against Japan; that the American Government had recently attempted to enforce a previous agreement to establish shipyards along the China coast for building warships; that the publication of the plan for neutralization of Chinese railways is related to this agreement; that the object of Abbott's visit is to make a loan for emergency defense expenditures; that America desires to obtain the former German settlement in Tientsin.

You are authorized to publish a categorical denial of these statements so far as they relate to the acts or purposes of this Government and you should make it plain that the object of Abbott's visit as published here at the time of his leaving for China is as representative of the American Group "to study the situation in China and to report on conditions there. No specific loan is now under consideration." Confidential. The Department considers the publicity given to the neutralization proposal at this time as unfortunate and liable to embarrass the deliberations at the Paris Conference. The American Mission has intimated that publicity at present is inadvisable.

POLK

793.94/784 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, March 15, 1919, 3 p. m.

[Received March 15, 3.14 p. m.]

Your March 11th, 7 p.m. Japanese press in China has published similar reports, also a steady stream of articles calculated to stir up race antagonism. Chinese public hitherto has given little credit to these things although continued repetition particularly of race in-

situations might have some effect. Behavior of Japanese populace in Tientsin during the recent disturbance<sup>14</sup> is but a natural consequence of such propaganda among Japanese. Am giving modifications statement reiterating purpose of Abbott's visit.

REINSCH

793.94/789 : Telegram

*The Ambassador in Japan (Morris) to the Acting Secretary of State*

TOKYO, March 23, 1919, 4 p.m.

[Received 9.09 p.m.]

Supplementing my March 20, 11 p.m.<sup>15</sup> The Japanese press continues to give currency to various distorted reports calculated to create alarm at America's sinister designs on Japan and the world. *Yorodzu* accuses the American press of carrying on a deliberate campaign to injure Japan's reputation and hopes that Japan will lay the facts before the world for its impartial judgment. *Hochi* declares that America is aligning herself with the Bolsheviks in order to throw the Far East into confusion and calls upon Japan to put a stop to these activities. Referring to a report that Colonel Barrows is intriguing with the Urga Government to secure self determination for Mongolia, this journal points out that America is responsible for all the intrigue which has played such havoc in the world since the outbreak of the war. *Yorodzu*: A rumor that the Bolsheviks have offered to America the same concessions that were given to Germany by the Brest-Litovsk treaty which suggests to Japan that America has developed ambitions in Siberia at variance [with] those of the other powers. The *Kokumin* contrasts the [disorderly] conduct of American troops with the seriousness of the Japanese who are intent only on restoring order in Siberia. The *Chuo* takes advantage of the Japanese side of the Tientsin incident to explain that roughness and pugnacity are American characteristics and that while justice and humanity are American ideals, she had other motives for entering the European war. The *Yamato* has for some [time] past been developing the theme that British and American activities in China are aimed at implanting their respective influences in the country to the peril of the peace of the Far East. This journal, which is said to be supported by the military group, is bitter against democracy and denounces President Wilson in obscene language for trying to propagate American ideas without any regard for the distinctive civilization of other countries. The *Hochi* gives credence to a rumor that threatening

<sup>14</sup> See vol. II, pp. 420 ff.

<sup>15</sup> Not printed.



conditions have developed in Central America as a result of American aggression which leads it to observe that if the ministers [nations] concerned adopt similar measure[s] to China at the Peace Conference there will be another question to be discussed.

There appears to be considerable unrest and nervousness in Government circles and many rumors are current. My Russian colleague tells me that changes are pending in the Foreign Office and that Uchida will be superseded by [name garbled]. I am advised from several fairly [reliable?] sources that another division is mobilizing for Siberia and [that] the withdrawal of troops from there will be discontinued. It is further rumored that the General Staff is urging upon the Government a drastic change in the Siberian policy and the despatch of a much larger force with a view to complete independence of action in the region Eastern [east of] Baikal. The newspaper campaign is explained as preliminary to this plan. I cannot corroborate any of these rumors but conclude from their very persistence, [coupled with] the noticeable reticence of all officials with whom I have come in contact since my return, that some changes of policy are under discussion behind the screen.

MORRIS

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793.94/810 : Telegram

*The Consul at Canton (Pontius) to the Acting Secretary of State*

CANTON, April 23, 1919, 10 a.m.

[Received April 23, 4.15 a.m.]

Administrative leaders Southern Government request following message be immediately telegraphed to President Wilson and the British Premier, Lloyd George.<sup>16</sup>

“On behalf of the people of China we desire your earnest consideration of the fact that the 21 demands of Japan and other secret conventions were imposed upon China by threatening war. Weak and helpless China was compelled submit Japan’s dictation at a period when other countries were in the early throes of the war. The demands and other secret conventions not only injurious interests of China, calculated to weaken integrity [and] sovereignty of the latter, but also seriously trespass treaty obligations with others. They are contrary to the letter and spirit of the 14 points ably laid down by President Wilson. There will not be permanent peace [in] Far East unless they are abrogated. We humbly request you listen representations of the peace delegates Wang Cheng-ting, Wu Chao-chu who represent real true interests of whole China and to have aforementioned demands and conventions canceled. Wu Ting-fang, Tang Shao-yi, Sun Yat-sen, T’sen Ch’un-hsüan, Tang Chi-yao, Lu Yung-ting, Lin Pao-yi.”

PONTIUS

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<sup>16</sup> Transmitted to the Commission to Negotiate Peace, for information, by telegram No. 1730, April 25.

793.94/810 : Telegram

*The Acting Secretary of State to the Consul at Canton (Pontius)*

WASHINGTON, April 25, 1919, 5 p.m.

Your April 23, 10 a.m.

It is suggested that you should exercise caution in accepting messages of the kind quoted in your telegram, which for obvious reasons this Government is unable officially to transmit. You should, however, keep the Department fully informed concerning the sentiment of the southern leaders.

PHILLIPS

793.94/819 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, May 16, 1919, 7 p.m.

[Received May 18, 8.45 p.m.]

The following consequence[s] of the situation created by the Shantung decision have resulted thus far: Indignation, discouragement and despair are expressed throughout China, anti-Japanese boycotts are being started in many places. In some regions, particularly around Shanghai, a general anti-foreign movement is feared because of the Japanese affirmation that the other powers support them. The Shanghai Peace Conference is disrupted; both delegations have resigned. Before resignation the delegates proposed eight points: refusal to recognize Paris decision regarding Shantung, cancellation of Sino-Japanese war participation army, dismissal of notorious malefactor governors, invalidity of investigation [*mandate?*] dissolving Parliament June, 1916 [*1917*], establishment of political council leading statesmen, reorganization Cabinet representing North and South, political council to superintend Shanghai Conference, recognition of Hsu Shih-chang [as] provisional president.

Net results thus far as follows: many reactionaries, pro-Japanese clique greatly encouraged, believe that they cannot be successfully opposed because assured of Japanese support which other countries powerless to resist. Anfu party (Anhui military—Fukien navy, in support of Tuan and Little Hsu, in combination with Lutsao delegation, sundry minor corruptionists) has the upper hand. In meeting yesterday the general tone [omission?] recall Northern delegation immediately, resumption military coercion against South as the demands of Southern delegates are unreasonable. All civilian nationalist leaders who favor representative government and peace are discouraged and in danger. President is powerless.

Japanese, triumphant, assert predominance in China recognized, Great Britain and France submissive, United States must admit op-

position futile. For example, Japanese Consul at Nanking stated to Chinese official President Wilson badly defeated at Paris; might remains right, England and France are with Japan. Japanese press vituperation of America continues. All of this aims to prove futility of relying on action or principles of Western Powers and [on] influence of the United States.

Forecast of the [garbled groups] is far from encouraging; may amount to that Japan will now exhibit friendship for China, using as instruments the notorious clique associating with them, arguments of prestige, and [garbled groups]. Military reactionaries will be kept in control and dependence on Japan. The [present popular?] opposition [will be] treated as lawlessness. Any sound constructive policy not in the interests of Japan it is expected will be opposed by the Chinese agents. For instance, should the consortium make a sound reorganization plan containing severe accountability upon China, the Government could be made to object dissimulating menace to sovereignty of China. This Japan will encourage, meanwhile allowing the clique to be financed by so-called independent merchants. The Chinese could not be forced to accept the international loan, [while] the clique would find [it] more to their interest to get easy money from Japan than to establish soundness [*sound*] finance for national purposes. The total result would be to discourage representative government, [garbled group] sound national reorganization, free expression of public opinion, public education, until the power of Japan is firmly established. This is not prophecy but a statement of inevitable result of forces already working and powerful enough to defeat national self expression, unless the Western Powers, particularly America and Great Britain, can be free to give countenance and encouragement to the independent forces of Chinese national life which are now blocked at every turn.

REINSCH

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793.94/818 : Telegram

*The Ambassador in Japan (Morris) to the Acting Secretary of State*

TOKYO, May 18, 1919, midnight.

[Received May 19, 9.12 a.m.]

The Minister for Foreign Affairs in our talk yesterday spoke of the recent newspaper attacks on American purpose and policies and expressed the hope that a statement he was about to issue would help to dissipate the prevailing atmosphere of suspicion. The statement appears in all the papers this morning. In this statement the Foreign Minister says that the many important diplomatic problems before the world can only be solved in a spirit of goodwill and of

confidence in other powers and that calm and unbiased judgment should guide people in estimating the conduct of other nations. He adds that while the Japanese should be careful not to lose sight of the standpoint of their own country they should try to appreciate the point of view of the people of other nations.

“Suspicion or prejudice not warranted by actual facts or the display of selfishness without due weight being accorded to the interests of others is deplorable in any case and is doubly dangerous at the present moment when the whole structure of international relations is in the process of reorganization looking to the establishment of a solid and lasting peace.”

He regrets the grave charges which were made by the press recently without any supporting evidence and without regard to possible consequences against the attitude of friendly powers in China, Siberia and Korea. He pointed out that certain foreign journalists in China have been equally guilty of disseminating mischievous reports going so far as to accuse Japan of having contemplated making a separate peace with Germany and exhorts his fellow countrymen not to follow their bad example.

“If concrete facts are shown justifying the apprehension that our legitimate rights and interests are being disregarded by any foreign power the only effective way of defending those rights and interests is to communicate with the power in question freely and frankly pointing out the actual facts of the case which may thus have engaged our attention.”

He states that no grounds for any such apprehension exist at present but that the Government would proceed on the course of action above outlined if there were (omission). There are some people, he says, who entertain serious misgivings as to Japan's true intentions in her relations with China even crediting Japan [with] designing to modify her avowed policy of returning Kiaochow to China.

“But I reaffirm Baron Makino's<sup>17</sup> statement issued to the press in Paris on May 4th [5th].<sup>18</sup> Japan will keep every word which she has passed. Shantung peninsula will be handed back to China in full sovereignty and all arrangements made to promote the mutual benefit of the two nations will be loyally observed.”

He asserts that China by entering the war secured from the Associated Powers the suspension of the payment of the Boxer indemnity and the raising of the tariff to an effective 5 per cent, also that other terms of value to China would be included in the peace

<sup>17</sup> Plenipotentiary of Japan at Peace Conference.

<sup>18</sup> For the terms of this statement as quoted in President Wilson's statement of Aug. 6, see telegram, Aug. 6, to the Ambassador in Japan, p. 719.

treaty. He states that Japan gladly supported China in her legitimate aspirations and that Japan will adhere to the policy announced at the last session of the Diet which places Sino-Japanese relations on a basis of justice and in the (omission).

MORRIS

793.94/821 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*<sup>19</sup>

PEKING, May 22, 1919, 1 p.m.

[Received May 23, 7.45 a.m.]

American Chamber of Commerce of China request following statement be given the President and the Secretary of State :

"Americans in China view with gravest concern the decision of Peace Conference to give over to Japan German rights and interest in Shantung, irrespective of pledges which Japan will make to return these to China, unless those pledges are accompanied with guarantees which make it [patent] to all that they will be made effective within reasonable time, otherwise all pledges regarding the maintenance of the Open Door, of equal opportunity, will become mere scraps of paper and China is endangered with a militarism controlled by Japan which may involve the world in another great catastrophe. American Chamber of Commerce of China."

REINSCH

793.94/822 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, May 25, 1919, 10 a.m.

[Received May 26, 6.12 p.m.]

American University Club of China, 400 American university men, request transmission resolution in the same spirit as my telegram May 22, 1 p.m. Peking Missionary Association composed of 200 American and British missionaries addressed resolution to home Governments expressing great concern stating that nation-wide movement in China resulting from disappointment is likely to grow in strength and persist if it is ignored and its aspirations disregarded and will menace the peace of the Far East. They fear that the conditions that [omission] change possible, their helpful work may be destroyed unless some sort of confidence in the western nations can be restored.

This resolution and many others telegraphed from all parts of the country will be sent to you by mail. Foreign and Chinese persons stirred as never before.

REINSCH

<sup>19</sup> Transmitted to the Commission to Negotiate Peace by telegram No. 2082, May 24.

793.94/823 : Telegram

*The Commission to Negotiate Peace to the Acting Secretary of State*<sup>20</sup>

PARIS, May 29, 1919, 9 p.m.

[Received May 29, 8.43 p.m.]

2336. Your 2082 May 24, 3 p.m.<sup>21</sup> President asks that Legation Peking acknowledge message from American Chamber of Commerce of China and state that matter which it presents will receive his most attentive consideration. Lansing.

AMERICAN MISSION

793.94/824 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, May 30, 1919, 5 p.m.

[Received May 31, 10.20 a.m.]

President Hsu has requested me to approach the President and the American Mission with the request if possible to induce Japan to make to the Great Powers, or for all conjointly to issue, a definite statement as to the Shantung arrangements, particularly as to the date of the return of the leased territory and of the withdrawal of the Japanese troops from the Shantung Railway, the exact arrangements [as to] Shantung Railway and German mines there, and assurance of definite extension of general economic preference [*sic*] in Shantung. If the Chinese is [*sic*] to sign the treaty, popular disapproval would be less violent if these arrangements were definitely stated. As to present, it is feared that Japan will still claim indefinite preferences [throughout] Shantung and that the settlement of the details with the Chinese Government will be made the occasion for exacting further privileges. Public confidence here can be restored only by a definite statement which Japan ought to make if her purposes are honest. The statement made by Baron Makino is altogether too indefinite to meet the situation.

Referring to [your] press telegram sent to Tokyo [about] May 23. It is important that the American public should not be misled by talk of Ishii, Goto, Iyenaga concerning return of Shantung or Kiao-chow to China as the return of this is a mere empty form leaving Japan opportunities to make Shantung closed Japanese territory similar to Manchuria. The phrase "returned with full sovereignty" is also misleading as China had admitted [*sic*] ceded sovereignty to Germany.

<sup>20</sup> Transmitted to the Minister in China May 31.

<sup>21</sup> See footnote 19, p. 694.

In view of the last paragraph of the Lansing Ishii notes <sup>22</sup> I assume that it is understood that Japan lays no claim [to the] general economic preferences in Shantung formerly claimed by Germany.

REINSCH

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793.94/830 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, June 7, 1919, 10 a.m.

[Received 1.24 p.m.]

The anti-Japanese popular movement consequent upon the Shantung decision, is largely due [*sic*] Japanese goods boycotted throughout nearly all of China. Violence used against Japanese at Canton. Large students and merchants organizations formed in Yangtze Valley and in North China. Students have left the schools and are appealing to the public. In Peking *gendarmes* used forcible measures arresting several hundred. Movement directed partly against Japanese, partly against pro-Japanese clique called country selling traitors. Japanese owned press making vain attempts by libel to excite sentiment against Americans, particularly missionaries. I was informed by a high official that Japanese Minister and pro-Japanese clique are planning to give prominence to alleged British attempt to control Tibet, thus diverting attention. Whether the movement remains anti-Japanese or becomes anti-foreign, it is capable of producing great harm. The general opinion here is that should Germany refuse to sign the treaty and forcible measures become necessary against her [involving?] the powers in further difficulties in Europe, Japan will undoubtedly use the opportunity by encouraging the Northern military party "to establish order," offering them financial and other assistance and alleging necessity for such action in attacks upon Japanese. This would greatly advance Japanese plans for domination in Asia.

REINSCH

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793.94/836 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, June 9, 1919, 4 p.m.

[Received June 10, 3.15 p.m.]

Naval Intelligence officer, Shanghai, telegraphed [situation?] very critical because of proclamation general strike, also that Municipal

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<sup>22</sup> See *Foreign Relations*, 1917, pp. 264 ff.

Council proposes to order that all Chinese wearing boycott badges shall be expelled from the settlement.

I have telegraphed the Consul General that such a decision would be very dangerous and would undoubtedly bring on a general anti-foreign movement, that we should avoid everything that would involve us in forcible opposition to a nation wide movement of China and that he should use every possible influence to prevail on his colleagues and the Municipal Council to confine action to police protection against actual violence and possibly the prevention of parades and other demonstrations which might lead to rioting.

Naval Intelligence officer says situation is likely to result in anti-foreign feeling culminating in an anti-foreign uprising and that pending arrival [omission?] the Japanese naval personnel and general public are aggravating the situation by their arrogant attitude. It is plain that the whole policy of the Japanese has been to involve other foreigners in the odium which exists against Japan. Their purpose would be accomplished if stringent international measures were taken against the boycott movement as then all foreigners would be classed together. To avoid this dangerous situation, to dissociate ourselves from the Japanese Government in this matter and yet not to assume an anti-Japanese attitude, will require great care. It may, however, be necessary to make it plain that America is not concerned in the boycott and considers it exclusively a Chinese affair towards which it is not called upon to take any repressive measures.

I do not believe that the concentration of a large international naval force at Shanghai will help matters. It would be better by far if the Japanese were prevailed upon to reduce their forces and if each nation were only represented with one ship which would be sufficient for any emergency. The presence of large Japanese forces in Chinese waters at present endangers American and European [omission].

REINSCH

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793.94/835 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, June 9, 1919, midnight.

[Received June 10, 9.35 a.m.]

Situation in Shanghai growing more serious, agitation increasing. Municipal Council has forbidden students in uniform remain in the concession. French Consul considers measure prema-



ture, but believes will have to take similar action in French settlement. United Chinese Merchants Shanghai and Chamber of Commerce other places have telegraphed the Government stating that unless the three traitors are dismissed there will be universal uprisings.

French Ambassador at Tokyo has telegraphed that the Japanese Government is much worried about the Chinese boycott fearing popular uprising in Japan due to the rice shortage. Therefore it will urge the Chinese Government to take severe repressive measures. This is short sighted policy; if repressive measures are used popular feeling will be inflamed still more with incalculable results. It seems to be the intention of the Japanese at this time to emphasize solidarity of allied interests. If they get the Chinese Government to use strong measures supported by other governments in their concessions they will have succeeded in unloading on others their well deserved odium.

This situation cannot be solved by use of force or repressive measures. The only adequate solution would be revision of the Paris decision *re* Shantung or a frank statement on the part of Japanese [of intention] to do justice to China. As the Japanese Government is beginning to find itself in a precarious position the continuance of the present movement may have salutary effect of inducing them to make just arrangement. It is in no sense in our interests to get into this matter unless circumstances should absolutely compel. If events here can have their normal course the main results will be salutary.

REINSCH

793.94/934

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2801

PEKING, June 10, 1919.

[Received July 22.]

SIR: I have the honor to enclose a copy of a communication from the Chairman of the Anglo-American Association of Peking,<sup>23</sup> enclosing a resolution passed by the Association with the request that the same be forwarded to the President of the United States and the Secretary of State.

The Anglo-American Association includes all prominent American and British citizens in Peking. The members of the two Legations were not present when this resolution was passed.

I have [etc.]

REINSCH

<sup>23</sup> Not printed.

[Enclosure]

*Resolution Passed by the Anglo-American Association of Peking,  
June 6, 1919*

While recognizing that a supreme attempt is being made to set up a new international order, in which secret treaties, political aggression, and the settlement of international disputes by war shall have no place; and appreciating that these lofty aims can only be achieved by overcoming difficulties, of which we in China have not a full knowledge; this Association learns with the keenest disappointment, and deepest sympathy with the Chinese people, the decision of the Peace Conference to transfer to Japan the former German rights in Shantung.

We express our solemn conviction that this decision will create conditions that must, inevitably, bring about extreme discord between the Chinese people and Japan, and raise a most serious hindrance to the development of the economic interests of China and other countries. A settlement, which perpetuates the conditions created by Germany's aggression in Shantung in 1898—conditions that led to similar action on the part of other states, that were contributing causes to the disorders in North China in 1900, and that made inevitable the Russo-Japanese war—cannot make for peace in the Far East, for political stability in China itself, nor for development of trade and commerce equally open to all.

Further, the evil consequences of conditions which are not only subversive of the principle of national self-determination, but also a denial of the policy of the open door, and of the principle of equality of opportunity, will be greatly accentuated, if Japan, a near neighbour, be now substituted for Germany, whose centre of political and economic activities was on the other side of the globe.

Therefore, we, the members, of the Peking Anglo-American Association, resolve that representations be made to the British and American Governments, urging that the States taking part in the Peace Conference devise and carry through a just settlement, which will not endanger the safety of China and the peace of the world.

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793.94/835: Telegram

*The Acting Secretary of State to the Ambassador in Japan (Morris)*

WASHINGTON, June 11, 1919, 5 p.m.

Peking reports by telegram dated June 9 that the agitation in China is increasing, and that the French Ambassador at Tokyo has telegraphed that the Japanese Government is much worried about the Chinese boycott fearing popular uprising in Japan due

to the rice shortage and will therefore urge the Chinese Government to take severe repressive measures. Department desires your personal views concerning situation as described by French Ambassador.

POLK

793.94/838 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, June 11, 1919, 5 p.m.

[Received June 12, 3.50 p.m.]

My telegram June 9, 12 p.m. Government has accepted resignation of three so-called traitors: Tsao Ju-lin; Lu Chung-yu, Chief of Currency Bureau; and Chang, Minister to Japan. President has now formally threatened to resign unless the Parliament and Nation will support him in his foreign and domestic policies. President and Cabinet continue to function. The above move is a demand for a vote of confidence not by Parliament alone but by the Nation. Anfu club controlling Parliament recently resolved Paris treaty should not be signed; President in resigning to Parliament probably desires for one thing to avoid being loaded with the sole responsibility of signing Paris treaty.

The national movement of Chamber of Commerce and students has effected an unprecedented organization and expression of public opinion throughout China. If things go well a true national representation may be evolved from this. After the elimination of traitors the merchants and students will be predisposed to back the President. Seeking national unity on a basis far more sound than compacts between Northern and Southern military is now in sight.

Attitude of Northern military not yet clearly developed. Japanese agents are doing everything to direct the popular mind also against other foreigners particularly British and Americans. Handbills today distributed, [of] Japanese origin, say Great Britain desires to seize Tibet and that many traitors desire to deliver the railways into the hands of British and Americans.

In Shanghai Japanese military demonstrations suggested. Unfortunately Municipal Council representing narrow Shanghai commercialism is doing everything to antagonize the Chinese. Shanghai reports boycott movement may therefore extend to British. We shall try everything possible to circumscribe the effect of this narrow minded attitude.

Peking is quiet. Thus far the only possible source of trouble would be an attempt of the military to repeat the trick of Yuan Shih-kai, 1912, when he allowed Peking troops to mutiny in order

to prove him indispensable. But I believe the military are not sure enough of themselves to play this game for the present.

I am greatly in need of information my telegram May 31, 5 p.m.<sup>23</sup>

REINSCH

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793.94/839 : Telegram

*The Ambassador in Japan (Morris) to the Acting Secretary of State*

TOKYO, June 15, 1919, 3 p.m.

[Received June 16, 9.45 a.m.]

Your June 11th, 5 p.m. The situation in China is giving the Japanese Government serious concern. The efforts of Foreign Office officials to minimize it when talking to me do not succeed in concealing their nervousness. Hara, I believe, [omission] familiar with developments of the past month and is considering what course he ought to pursue. He feels that the attitude of the British-American groups in China renders it more difficult for him to lead the Japanese governing forces toward a policy of reconciliation with China. On the other hand, the military party apparently inaugurating increasing disorder in China and hopes it may force some form of intervention. Only thus can it hope to regain some of its lost prestige. I observe nothing which indicates any political crisis here. Thus far Hara has the situation well in hand and Tanaka, the War Minister, is working with him. The rice shortage may lead to social unrest and disorder but the Government is grappling with the problem and is reported to be formulating remedial measures.

My French colleague recently showed me the telegram referred to. He did not use the phrase "popular uprising" but stated that the Government here feared that the Chinese boycott, added to the scarcity of rice, would "increase the social unrest which has been fermenting for some time." In this statement I concur. How serious this unrest will become during the next four months depends, in my judgment, on how far Hara is permitted to go in the application of more liberal policies, foreign and domestic.

MORRIS

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793.94/840 : Telegram

*The Ambassador in Japan (Morris) to the Acting Secretary of State*

TOKYO, June 16, 1919, 9 p.m.

[Received June 17, 2.50 a.m.]

In an extended talk with the Minister for Foreign Affairs he told me that he had instructed the Japanese Chargé d'Affaires

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<sup>23</sup> Not printed.

to call to your attention the recent action of the British-American association in China which had unanimously passed a resolution in reference to the Shantung settlement.<sup>24</sup> He said that the unanimous character of the action was significant in view of the fact that both the British and American Ministers were reported as present. He felt that an action having this official color was rather unfriendly to Japan. More serious however was the effect which he feared on China. The Shantung issue he said was only an excuse for the exhibition of anti-Japanese feeling in China. This feeling had other and deeper causes. The Shantung matter could be settled and would be when Japan redeemed in form and spirit all the promises she had made at the Peace Conference in regard to Shantung. But if British and Americans resident in China continued to sympathize with the anti-Japanese sentiment now prevailing, they would soon find it developing into a general anti-foreign sentiment which might prove exceedingly serious. He then referred to the resolution of the American Chamber of Commerce at Shanghai<sup>25</sup> which he evidently resented quite bitterly, particularly the reference to Japan's bad faith. Later this afternoon the Minister of War called on me. His wish to give me some immaterial information in regard to Korea was the excuse for his visit. The real object was to discuss China. He said that he had never previously credited the reports that anti-Japanese feeling in China was inspired by American and British officials but the resolution of the British-American association and the recent activities of Burr<sup>26</sup> attached to our Legation had forced him to revise his attitude. The rest of his conversation was a repetition of the views which the Minister of Foreign Affairs had expressed.

MORRIS

793.94/840 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, June 17, 1919, 5 p.m.

For the Minister only—to be deciphered by him.

Were you present at a recent meeting of a so-called British-American Association which passed a resolution in reference to the Shantung settlement? Please answer by cable, indicating whether the British Minister was present.

PHILLIPS

<sup>24</sup> See resolution of June 6, p. 699.

<sup>25</sup> See telegram of May 22 from the Minister in China, p. 694.

<sup>26</sup> Roger A. Burr, Vice Consul at Peking until May 1, 1919.

793.94/842 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, June 19, 1919, 10 a.m.

[Received 1.55 p.m.]

Your June 17, 5 p.m., and Tokyo's June 16, 9 p.m. I was not present at meetings British American association referred to. Neither was the British Minister.

REINSCH

793.94/841

*The Japanese Embassy to the Department of State*<sup>27</sup>

While discontent at the Shantung settlement is the avowed and ostensible cause of the anti-Japanese agitation which has been going on in various parts of China, there is no doubt that back of the whole movement there are at work divers motives of internal politics. The agitation at any rate has ceased to be a mere demonstration against Japan and is fast becoming a menace to the general peace and order in China.

To the extent that this movement is due to the Shantung question and any other matters of mutual concern between Japan and China, the Japanese Government are confident that the just and equitable policy of Japan which will before long be confirmed by facts will prove conducive to a quiet state of things. In that belief the government and people of Japan, as the American Government must be aware, are showing an unexcited attitude toward the Chinese situation. Nor are the Japanese Government inclined to accept readily the repeated rumour that some of the Americans in China are directly or indirectly supporting the agitation against Japan. Even if there be anything in the rumour, the Japanese Government have no intention whatever to take up the matter with the American Government, for they are not unaware that the conduct of individuals is in most cases outside the scope of proper interference by the government.

The Japanese Government, however, cannot but attach a certain degree of importance to the nature of the resolutions of the Peking Anglo-American Association of June 6<sup>28</sup> and of the American Chamber of Commerce in China of May 21,<sup>29</sup> respectively, and they deem it advisable frankly to lay before the American government the information they have received in this connection.

<sup>27</sup> Handed to Mr. Polk by the Japanese Chargé June 19.

<sup>28</sup> See p. 699.

<sup>29</sup> See telegram of May 22 from the Minister in China, p. 694.

The Japanese Government are given to understand that the Anglo-American Association counts among its members the American Minister to China and the members of the American Legation, one of the latter being an official of the Association. It might be conceived that this circumstance, in the eyes of the Chinese, will have given a peculiar meaning to the said resolution which is reported to have passed unanimously. Apart from any comment on the contents of the resolution, it must be pointed out that it was calculated to stir in the minds of the Chinese people antagonistic feelings against Japan and mistrust of the Peace Conference.

As for the resolution of the American Chamber of Commerce in China, not only does it contain a grave slander upon Japan, but the report that the President of the United States assured the Chamber of Commerce through the American Minister that the resolution should be given the most attentive consideration<sup>30</sup> was taken as giving a special significance to the matter.

The Japanese Government are deeply concerned lest these reports exercise a considerable influence upon the Chinese people and, at the same time, cause an undesirable effect upon the most cordial relationship between the United States and Japan.

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793.94/841 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, June 19, 1919, 5 p.m.

Japanese Chargé d'Affaires today handed me a memorandum in which the Japanese Government takes exception to the recent resolutions of the Peking Anglo-American Association of which it is stated you and others of the Legation are members, one being an official of the Association. Report briefly the pertinent facts. The Department has the text of the resolution of June 6.

POLK

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793.94/874

*The Ambassador in Japan (Morris) to the Acting Secretary of State*

No. 428

TOKYO, June 20, 1919.

[Received July 7.]

SIR: I have the honor to report as follows on the Japanese press comment with reference to the recent developments in China resulting from the recognition by the Peace Conference of Japan's claims in Shantung.

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<sup>30</sup> See telegram No. 2336, May 29, from the Commission to Negotiate Peace, p. 695.

An outstanding feature of the Japanese attitude is the inability to understand why the award of the Peace Conference should have aroused such opposition among the Chinese. The comments in this connection are illuminating evidence of the genuine conviction that prevails in Japan as to the justice of its position and the uprightness of its aims. Japanese believe that they are striving to promote cordiality between the two nations and to secure the safety and well being of China, and they are accordingly pained at China's "ingratitude". Very few can see any other side to this question. They justify their desire for territorial footholds on the plea that from such points of vantage they can the better guard China from Occidental aggression, and they base their eagerness to secure mining and other concessions on the necessity of providing for the sinews of war to "preserve the peace of the Far East". They seem to be actually at a loss to account for the "folly" of the Chinese, who repel their friendly advances and court "dangerous" friends like England and America. The following observations from the *Herald of Asia* are typical of the viewpoint of the average Japanese:—

"It is unfortunate that all Japan's efforts in trying to discourage western aggression in China should be interpreted by that country as aiming at aggression on the part of Japan herself. Japan, of course, does not pretend to be wholly unselfish in her policy towards China; but it is a self-interest that is as good for China as for Japan. Japan is protecting China chiefly for the sake of her own security, for the more China gives way to western nations, the more Japan's safety is menaced. The point is that Japan cannot allow China to barter away her birthright even if she is simple enough to engage in such folly. If China wants to test Japan's sincerity let her refuse all further concessions to Occidental nations and secure for all time the inalienation of her territory, and Japan's task in regard to China will be finished. It is a question, however, whether China is yet able to do without the assistance of Japan in keeping foreign nations at bay; and this help, strange to say is what China does not want. Is it that China would rather be a slave of the white races than the equal of Japan? There is no need for China to be anxious about the return of Kiaochow. Japan has promised to restore the territory to China just as soon as China is able to guarantee that it will not again fall into the hands of a third party."

The inability of the Japanese to appreciate the Chinese point of view makes them all the more ready to attribute the Chinese agitation to British and American instigation. Various exaggerated and entirely unfounded reports of the sinister activity of British and American agents in inflaming students and others to organize boycotts and commit acts of violence against Japanese are given credence and widely circulated in the Japanese press. Unfortunately, the anti-Japanese feeling prevailing among the majority of



foreign residents in China, which frequently finds expression in the foreign language press of that country, lends color to these reports. The resolution passed by the Anglo-American Association at a meeting when both the British and American Ministers were said to be present and the resolution of the American Chamber of Commerce at Shanghai denouncing the Shantung settlement, have added to the resentment in Japan against the attitude of the British and American residents in China. The *Kokumin* in its issue of the 19th reports that the barracks of the American troops, as well as Red Cross and Y.M.C.A. rooms are being used as meeting places by Chinese and Americans engaged in anti-Japanese propaganda, and that the American Legation has distributed sums amounting to five million yen for financing such movements.

The *Asahi's* views as to the origin of the disturbances are saner than those of the majority of the press. It ascribes them to the prevailing belief among Chinese that Japan is behind the reactionary military clique, thus standing as an effectual bar to political progress, and to a desire among a section of the merchant class to check Japan's economic encroachment. The journal, however, also admits that it is quite conceivable that the direct and indirect assistance given by foreigners has had the effect of swelling the anti-Japanese agitation to its present dimensions, and alludes to the opinion prevailing among certain Japanese business men that Americans are taking advantage of this movement to extend their markets.

At first, there was a tendency in Japan to minimize the seriousness of the situation in China, which was largely due to the optimistic note of official reports. The general attitude was that as Japanese goods were indispensable and the passions of the Chinese short-lived, the boycott would soon be over. Later on, however, as the disturbances increased in intensity, the attitude changed to one of alarm. Moreover, it furnished anti-Government elements with a capital weapon for attacking the Ministry's Chinese policy, and accordingly they lost no opportunity to paint in lurid colors the tribulations of Japanese residents.

The *Jiji*, which is better informed on China than most vernacular papers, not only believes that there are no immediate prospects of the disturbances being quelled, but anticipates a further aggravation of the situation, which may spread to all sections of the country, in view of the conflicting political ambitions which lie at the roots of the movement. It also hints that there are Bolshevik influences at work fomenting the spirit of revolution and anarchy.

As to measures for meeting the situation, the Japanese press has various suggestions to offer. As is to be expected, the chauvinistic

and anti-Government elements call upon the Government to take energetic measures to protect Japanese interests. The *Kokumin* says:

[“Japanese goods have been burned; Japanese in China have been insulted and outraged, and the leaders of the pro-Japanese Chinese have been excluded. Japan’s honor has thus been set at naught by all possible means. If no steps are to be taken to remedy the situation, what about the prestige of this country?”

The *Hochi* demands, if the Chinese Government is powerless to deal with the situation, that Japan should land troops herself. Also that it should take appropriate measures against British and American officials in China, should they prove to have participated in the resolution of the Anglo-American Association. A correspondent of the *Yamato*, who suffers from chronic anti-Americanism, has been so impressed with America’s responsibility for the demonstrations, that he has become convinced that the solution of the troubles lies in an appeal to arms against the United States.

The *Nichi Nichi* believes that the Arms Loan should be revived, in order that the Peking Government may be supplied with arms and money to combat Bolshevism, which it alleges is now undermining the country, thanks to the efforts of Russian emissaries. It observes that it is only natural that the powers who have despatched troops to Siberia and Russia to contend against Bolshevism, should render the necessary assistance to China in freeing her from this evil, and that Japan should take the lead because of her special position.

In view of the general tendency to attribute the causes for the troubles to conflicting ambitions of Chinese politicians, Anglo-American instigation, Bolshevik propaganda and in fact everything except Japanese aggressiveness, and to seek remedies accordingly, the views of the *Chuo Koron* (Central Review) are like a voice crying in the wilderness:

“The short cut to quieting the anti-Japanese agitation in China would be for the Japanese to restrain the Chinese policy of the bureaucrats and capitalists, so that the genuine peaceful requirements of the Japanese nation may be laid frankly before our neighbors. It should not be attempted to suppress the dissatisfaction of the Chinese people by rendering assistance to Tsao, Chang and other so-called pro-Japanese.

“For many years we have been striving for the emancipation of Japan from the grip of the bureaucrats and militarists. In this respect the object for which the Chinese students are struggling must be described as the same as our own object. In this sense it must be said that the success of the Chinese agitation would mean the success of our own efforts for the emancipation of Japan from

the baneful influence of the bureaucrats and militarists. If this be done, it will be possible to found the real national friendship between Japan and China on a sound and secure basis. It will be observed that all attempts at the promotion of Sino-Japanese friendship tried in the past have proved more harmful than beneficial.[<sup>31</sup>]

I have [etc.]

ROLAND S. MORRIS

793.94/938

*The Minister in China (Reinsch) to the Acting Secretary of State*

No. 2837

PEKING, June 24, 1919.

[Received July 21.]

SIR: In continuation of my despatch No. 2807 of June 9th,<sup>31</sup> I have the honor to refer the Department, particularly, to the reports sent on by the Consul-General at Shanghai concerning the boycott and strike movement at that City. In Peking, after hundreds of students had been arrested and kept in close confinement, the militarist Ministers of Peking appeared to realize that they were evoking a storm which might prove dangerous to them. They, therefore, released the students and even allowed them to continue their speech-making on the streets. In Tientsin a sympathetic strike was declared on June 11th in harmony with the action at Shanghai.

In connection with the events at Shanghai, my telegrams of June 7, 10 a.m.; June 9, 4 p.m.; June 9, 12 p.m.; June 11, 5 p.m.<sup>32</sup> have reported to you the essential facts as well as the attitude of the Legation towards the popular movement. When on June 9, I received a telegram from the Naval Intelligence Officer at Shanghai concerning the critical situation brought about by the proposed action of the Municipal Council to enforce rigid measures of repression, I was greatly concerned, fearing that this narrow-minded and short-sighted action would have the result of involving both the British and ourselves in the national Chinese movement. I, therefore, immediately telegraphed to the Consul-General at Shanghai that I feared a general movement against foreigners would be invited by the proposed action of the Municipal Council, instructing him, in substance, as follows:

“ You will exert every possible effort to induce your colleagues and the Municipal Council to modify such action if the same has really been taken. Everything should be avoided by us which would involve us in forcible opposition against a Chinese national movement except in as far as police action is necessary to prevent actual violence and, perhaps, public demonstrations and parades which might lead to rioting. As far as the boycott is concerned, it is fortunately not our affair ”.

<sup>31</sup> Not printed.

<sup>32</sup> *Ante*, pp. 696, 697, and 700.

Should we join in strong repressive action against the Chinese national movement, the result would merely be to make us bear a share of the hostility and odium aroused thereby. On June 10th, instructions—substance of which follows—were sent:

“You should maintain close informal consultation with the French and British Consular Officers there. The French and British Ministers are with me in the substantial understanding that through the use of repressive measures further than that necessary for the prevention of violence, it is not advisable that we place ourselves in a position of prominent opposition to the national Chinese movement. With the acceptance of Tsao Ju-lin's resignation, it is believed that two others will resign. In Peking it is believed that a quieting effect will be produced by this. Peace might be restored if the merchants and students could be influenced into accepting this and to discontinue the strike movement, taking up with the government, through a representative national committee representing all organizations, any further grievances. The foregoing may be discreetly used by you.”

The British Minister was absent at the sea-shore. The personnel present at the Legation did not fully realize the danger when first spoken to. They, however, immediately reported to Sir John Jordan, who recognized the danger and hurried back to Peking without delay. He substantially agreed with me, as had the French Minister from the start, concerning what should be our proper attitude. Unfortunately the British Consul-General and the Municipal Council in Shanghai, notwithstanding the solitary opposition of Mr. Harold Dollar, a member of the Council (the other American member, Mr. Merriman, having been always closely allied with the British interest) had already taken action which, if the Chinese leaders had not been very cool-headed and well advised, would have invited very serious trouble.

The American community, from the start, seems to have taken the view that the Chinese National movement was essentially sound and that it was not our affair to interfere with it. The Consul-General used every proper effort to discourage and avoid action which would entangle us in unwise measures. As a result of the American attitude in Shanghai, I believe that not only was the traditional friendship between America and China strengthened but even the British were benefited by being protected against the natural results of the short-sighted action of the Municipal Council.

Consul-General Sammons had reasonable ground to complain of the attitude of the British Consul-General. In his despatch No. 3256 of June 14th, Mr. Sammons reports that the British and Belgian Consuls had expressed the opinion that the students should not be allowed to return to their quarters in the International Settle-

ment and that the American Consul-General had taken emphatic exception to this proposal. When a British gunboat had been placed alongside the Customs' jetty, Consul Sammons notified a senior Consul that such procedure is not legal and ought not to be considered a precedent since there was no previous Consular recognition. The British Consul-General stated that the movement of British Naval vessels is controlled entirely by the senior Naval Officer. The mooring at that point is considered as particularly likely to incite the Chinese population.

The specific demands of the leaders of the Chinese national movement at the time were the dismissal of Tsao Ju-lin, Lu Cheng-yu, and Chang Chung-hsiang, the three officials who were directly instrumental in making the recent disadvantageous agreements with Japan. When the acceptance of the resignations of these men had been verified through telegrams from the British, French, and American Legations to their Consulates at Shanghai, the active movement there came to an end and the strike was called off both at Shanghai and elsewhere. The boycott of Japanese goods, however, continues. Unfortunately the hot-headed action of a Municipal police official on June 10th caused the deaths and wounding of a number of Chinese. The manner in which the national movement has thus far been conducted has commanded the respect of foreigners.

I have the honor to enclose a copy of a letter from the Shanghai citizens Union to the American Consul-General, dated June 2nd,<sup>33</sup> in which the methods and sentiments of the movement are laid down. The Chinese strictly adhered to this program. Their leaders even distinguished between the real sentiments of the Americans and the greater part of the British community, and the ill-considered action of the Shanghai Municipal Council. They took every means to avoid a clash with the authorities and the interests of the western nations. All reports that a general anti-foreign movement was going on either were due to Japanese inspiration or to the mis-reading of events by one or two poorly informed British journalists. The danger of a general anti-foreign movement was indeed always present; the Japanese had done everything in their power to convince the Chinese that all the western nations were equally to blame for the iniquitous Shantung settlement; on the other hand they, apparently, tried to convince the people in western countries that the Chinese national movement was directed against them. If the attitude of the Shanghai Municipal Council had been more generally manifested, the movement might have been given an anti-foreign turn.

It is now recognized that the movement of the last three weeks has brought about the birth of an organized public opinion in China

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<sup>33</sup> Not printed.

capable of exerting specific pressure on the Chinese Government and accomplishing specific action. This development is recognized by everyone here as of the greatest importance. It has also been demonstrated that the commercial and intellectual leaders (students) will carry with them the masses of the people, the factory laborers, transportation workers, etc. The *North China Daily News* which for a while fell in line with the narrow policy of the British Consul-General and the Municipal Council, in its issue of June 21st brought an editorial expressing full appreciation of the significance of the national movement for the future of China. I have the honor to invite your attention to this editorial which is the first in the issue, but of which there are no copies available here.

For your further information on the motives and procedure of the national movement, I have the honor to enclose copies of a telegram sent on June 13th by His Excellency Chang Chien to President Hsu<sup>34</sup> in which the responsibility for the present troubles of China is quite clearly placed where it belongs; namely, with the military pro-Japanese clique at Peking. As is known to the Department, Chang Chien is one of the most influential men in China enjoying high standing as a scholar as well as credit for having introduced many modern industries and improvements into his native province. No man speaks with greater authority for the Chinese people. There are many other prominent leaders in the Yangtze Valley who are truly representative but who are not politicians. They will be heard from without fail in a measure as the people of China continue and complete their effective representative organization to the exclusion of the corrupt crew who are now doing business at Peking and Canton.

There is also enclosed an extract from a personal letter written by Mr. Roy S. Anderson, an American citizen, dealing with the Shanghai boycott movement, which gives a concise and interesting view of its temper.<sup>34</sup>

In connection with the attitude of the Municipal Council, I have the honor to invite your attention particularly to Shanghai's despatch No. 3297, dated June 21st (copy of which was transmitted to you directly)<sup>34</sup> in which some very sinister incidental elements in the repressive policy of the Municipal Council are set forth which will require our urgent attention should there be any effort to carry them out. The attitude of the American paper in Shanghai, *The China Press*, is indicated by the editorial transmitted in Shanghai's despatch No. 3296 of June 21st. The editorial winds up by urging the Consular Body to order a public investigation not only of the

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<sup>34</sup> Not printed.

handling of the strike but of the whole machinery of defense of the international settlement—its methods and its personnel. I intend to have a serious talk with the British Minister on this important matter in the near future. It may be necessary for us to assert in unmistakable terms our right to consideration as partners in the international settlement.

I have [etc.]

PAUL S. REINSCH

793.94/867 : Telegram

*The Minister in China (Reinsch) to the Acting Secretary of State*

PEKING, June 26, 1919, 7 p.m.

[Received June 26, 5.07 p.m.]

Your June 19, 5 p.m.<sup>36</sup> Association comprises all representatives British and American in Peking. They will be glad to express their views more fully and explicitly. Ministers and Legation staffs attend dinners but do not participate in business meetings. No American Legation member is an official.

Resolution is in accord with unanimous foreign sentiment in China. Japanese concern expressed to Ambassador Morris lest anti Japanese sentiment develop into anti foreign sentiment cannot be taken seriously here. Certainly every thing was done by the Japanese to involve others in the resentment against Japanese. It is probable that the resolution troubled the Japanese particularly because British and Americans united, whereas every [effort?] had been made to make the Chinese believe that the two Nations thought differently and to isolate America. The extraordinary campaign of infamous libel carried on by the Japanese press in China against Americans from the President down to missionaries and soldiers is indeed in a very different class from such dignified expression of public opinion. But it is symptomatic of the attitude of the Japanese and is unrestrained by the Government.

REINSCH

793.94/908a

*The Department of State to the Japanese Embassy*

#### MEMORANDUM

The Japanese Embassy has brought to the attention of the Department of State a memorandum concerning the reported agitation against Japan which has been going on in China. The Embassy has emphasized the point that the agitation seems no longer to be a mere

<sup>36</sup> *Ante*, p. 704.

demonstration against Japan but may also become a menace to the general peace and welfare of China. The Embassy points out that the Japanese Government is not inclined to accept readily the repeated rumor that some Americans in China are directly or indirectly supporting the agitation against Japan. This attitude of the Japanese Government is greatly appreciated by the American Government. This Government did not doubt but that the Japanese Government would understand that the conduct in such matters of American nationals abroad is not within the power of the American Government to control and that the American Government is in no way responsible for such views as are expressed by those nationals either in the form of resolutions or in private conversation. The American Government is well convinced that the agitation will of itself subside in due course without the ill consequences now so much feared by the Japanese Government. In fact, this Government is gratified to note that recent reports from China indicate a substantial improvement in the situation in this respect.

The Department of State has taken special note of the degree of importance attached by the Japanese Government to the nature of the resolutions of the Peking Anglo-American Association of June 6<sup>37</sup> and of the American Chamber of Commerce in China of May 21,<sup>38</sup> respectively. The paragraph next above clearly sets forth the attitude of the American Government towards such incidents.

With respect to the allegation that the Anglo-American Association has among its members the American Minister to China and certain members of his staff, one of the latter being an official of the Association, the Department of State is informed that no member of the Legation staff is an official of the Association. The Minister and members of the staff often attend dinners or other social functions given by the Association, but they do not participate in its business meetings. At the meeting of the Anglo-American Association on June 6, when the resolution above mentioned was adopted, the American Minister was not present.

With respect to the resolution of the American Chamber of Commerce, a copy of which was sent by the Chamber to the President, the Department of State is glad to point out that it is the custom of the President to acknowledge the receipt of such communications and the action taken in this case is, therefore, merely the continuation of a long-standing practice, to which no particular significance need be attached. American citizens here and abroad have long availed

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<sup>37</sup> See p. 699.

<sup>38</sup> See telegram of May 22 from the Minister in China, p. 694.



themselves of the right of petition and so far as his time permits the President gives consideration to views so expressed.

The American Government does not share the concern which the Japanese Government feels lest the activities hereinbefore mentioned shall mar the cordial relations between the United States and Japan. The American Government is confident that these minor incidents can in no way impair the cordial and friendly feelings which have so long existed between the two Governments.

WASHINGTON, *July 2, 1919.*

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793.84/908 : Telegram

*The Acting Secretary of State to the Minister in China (Reinsch)*

WASHINGTON, *July 12, 1919, 3 p.m.*

For the Minister.

The Secretary of State has informally suggested to the Japanese delegates in Paris that they make open and specific declaration concerning Shantung. They replied that various considerations among which was Japanese public opinion made this inadvisable. The proposal is still receiving consideration.

POLK

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793.94/909 : Telegram

*The Chargé in Japan (Atherton) to the Acting Secretary of State*

TOKYO, *July 18, 1919, 10 p. m.*

[*Received July 18, 5.50 p. m.*]

The vernacular press announces that Yoshizawa, former Counsellor of the Japanese Legation Peking has proceeded to China with the approval of the Foreign Office and the War Office to negotiate unofficially with prominent Chinese concerning the retrocession of Japan's rights in Shantung to China according to previous agreement between the two countries. Retrocession to be realized after the ratification of the peace treaty by Japan. Peking informed.

ATHERTON

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793.94/941

*Memorandum of the Third Assistant Secretary of State (Long)*

[WASHINGTON,] *July 29, 1919.*

Mr. Debuchi handed me the attached clipping this afternoon and asked that it be filed in the Department.

Upon inquiring as to whether he considered it to be official notification of the statements therein contained he replied that it was

only semiofficial and really an expression of his personal views, but, that he would like to have it on file in the Department.

He asked me to give him an expression of opinion in regard to the subject matter. I did not do so.

BRECKINRIDGE LONG

[Enclosure]

*Article from the "New York Herald" of July 29, 1919*

CHARGÉ OF JAPANESE EMBASSY DISCUSSES SHANTUNG'S FUTURE  
EXPRESSING HIS PERSONAL VIEWS, HE SAYS KIAOCHOW TERRITORY WILL BE  
RETURNED TO CHINA AND ALL NIPPONESE TROOPS WITHDRAWN AS SOON  
AS POSSIBLE

Washington, D. C., Monday—Mr. Debuchi, Counsellor for the Japanese Embassy and Chargé in the absence of Viscount Ishii, conferred today at the State Department with Secretary Lansing.

So far as is known, no formal request has been made upon the Japanese Embassy by the Administration, to issue any statement regarding the Japanese purposes as to Shantung, but Mr. Debuchi was willing to discuss the subject with the Associated Press, with the distinct understanding, however, that he was expressing his own personal views.

In answer to a question as to what was to be the final disposition of the Japanese troops in Shantung, Mr. Debuchi replied :—

"Japan has firmly determined to restore to China her sovereignty over the leased territory of Kiaochou, which sovereignty was conferred upon Germany in accordance with the stipulations of the treaty between China and Japan in 1908."<sup>99</sup>

"Japan is not only prepared to restore that property to China, but also is ready to open negotiations to that end with China as soon as possible.

"The railroad between Tsingtau and Tsinanfu, which was formerly under the exclusive management of Germany, will be placed under the joint operation of China and Japan. Likewise the fortified port of Tsingtau, formerly exclusively controlled by Germany, and practically a closed port to the rest of the world, will be opened to foreign trade generally without discrimination.

"Japan contemplates the maintenance in Tsingtau in the future of a Japanese settlement and also an international settlement; the situation there will be practically like that at Shanghai, where there is a French settlement and an international settlement.

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<sup>99</sup> "Japan in 1908" struck out and "Germany in 1898" substituted in ink on the original clipping.

"Germany enjoyed and exercised the right of stationing troops in Kiaochow under the terms of her treaty with China. Japan, however, in view of the fact that she has determined to restore sovereignty over Kiaochow to China is firmly determined to withdraw every one of her troops actually stationed in Shantung just as soon as possible.

"The above dispositions, however, are subject to the signature of the German peace treaty by China and to a subsequent agreement by China with Japan in regard to the disposition of the restored territories."

793.94/953

*Memorandum of the Third Assistant Secretary of State (Long)*

[Washington,] July 29, 1919.

(NOTE: After my conversation with Mr. Debuchi on last Thursday, July 24, in which he said that his Government did not feel that they could make an announcement of their intentions in Shantung at that time, I had a conversation with Mr. Lansing in which I reported the substance of Debuchi's statement. Mr. Lansing then said that the President had authorized him to say to Debuchi the following day that unless Japan made some definite and satisfactory statement that he, the President, would do so.)

Mr. Debuchi came in this afternoon shortly after my return to town and reviewed the happenings in the Shantung matter since our last interview. He related the fact that the Secretary had talked to him on Friday, and [he] deplored that news in regard to the subject matter of their conversation had been printed in the papers, and stated that it was particularly regrettable that the statement had been made that unless Japan answered in less than forty-eight hours that the President himself would make an announcement. He said that he feared very much the effect that that statement would have in Japan; that he had immediately cabled Japan the substance of his conversation with the Secretary; that he had received a wire on Sunday which he had communicated to Mr. Lansing on Monday at the same time that he communicated a despatch also received from Baron Makino at Paris which stated that he was cabling the Japanese Government advising that they make a statement.

He asked whether in view of the fact that time had elapsed the statement would be immediately forthcoming. I told him that I did not know, but that I would say to the Secretary that in view of the distance which separates Paris and Tokyo, and the fact that cable

communication had been necessary between Paris and Tokyo after receipt in Tokyo of advices from Mr. Debuchi, and the added fact that both he and Baron Makino had cabled urging his Government to make a statement, that I would suggest to the Secretary that the statement threatened by the President be withheld for several days.

Mr. Debuchi was apparently considerably alarmed at the situation. He expressed the hope that some decision would be arrived at as to the withholding of the statement by the President, and hoped that he might be informally advised . . .

He said that he had talked to Mr. Lansing about the Treaties of 1915<sup>40</sup> and 1918,<sup>41</sup> and their application to the Treaty of Versailles; that Mr. Lansing had not confirmed the impression Debuchi had had from Mr. Polk that the Treaties of 1915 and 1918 were annulled, but had given him the impression that they did not enter into the calculations upon which the Treaty of Versailles was made, and that they were separate and distinct matters. I told him that my impression was that, whereas, we had never recognized the 1915 and 1918 Treaties, and did not now intend to, that we looked upon the Treaty of Versailles as superseding any former treaties on the subject, and as confirming to Japan the rights held by Germany as of August, 1914, without amendment of any kind, and without enlargement of any kind, and subject only to the statements made by the Japanese delegates in Paris as to their intentions in regard to the rights which they were to acquire.

BRECKINRIDGE LONG

793.94/946

*Memorandum of the Third Assistant Secretary of State (Long)*

[WASHINGTON,] August 3, 1919.

Mr. Debuchi called upon me at my house about noon today and handed me a copy of the announcement of the Japanese Government as made in Tokyo concerning Japan's intentions in Shantung. He handed it to me for the information of the Department and with the statement that it was not for publication here for it had been published in Japan and the arrangements were made by the Japanese to allow the Associated Press cable facilities for distributing it at large.

I received it without comment except upon the fact that there was no time limit set within which any action should be taken.

BRECKINRIDGE LONG

<sup>40</sup> See *Foreign Relations*, 1915, pp. 171 and 197.

<sup>41</sup> Not printed.

[Enclosure]

*Statement by the Japanese Minister of Foreign Affairs (Uchida),  
August 2, 1919*

It appears in spite of official statement which Japanese Delegation Paris issued May 5th last <sup>42</sup> and which I fully endorsed in interview with representatives of press on May 17th, Japan's policy respecting Shantung question is little understood or appreciated abroad.

Public will remember that in ultimatum which Japanese Government addressed to German Government August 15th, 1914, they demanded Germany "to deliver on date not later than September 15th, 1914, to Japanese authorities without condition or compensation entire leased territory of Kiaochow with view to eventual restoration of same to China." <sup>43</sup> Terms of that demand have never elicited protest on part of China or any other Allied or Associated Powers.

Following same line policy Japan now claims as one of essential conditions of peace that leased territory of Kiaochow be surrendered her without compensation or condition. At same time abiding faithfully by pledge which she gave China in 1915 she is quite willing to restore to China whole territory in question and enter upon negotiations with Peking Government regarding necessary arrangements to give effect to pledge as soon as possible after Versailles Treaty shall have been ratified by Japan.

Nor has she any intention to retain or claim rights which affect territorial sovereignty China in Shantung province. Significance of clause appearing in Baron Makino's statement May 5th that "policy of Japan is to return Shantung Peninsula in full sovereignty to China, retain only economic privileges granted Germany" must be clear to all.

Upon arrangement being reached between Japan and China for restitution of Kiaochow Japanese troops now guarding that territory and Kiaochow-Tsingtau railway will be completely withdrawn. Kiaochow-Tsingtau railway is intended [to] be operated as joint Chino-Japan enterprise without discrimination in treatment against people [of] any nation. Japanese Government has moreover under contemplation proposals for establishment at Tsingtau of general foreign settlement instead of exclusive Japanese settlement which by agreement of 1915 with China they are entitled to claim.

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<sup>42</sup> The terms of this statement are quoted in President Wilson's statement of Aug. 6, *infra*.

<sup>43</sup> See *Foreign Relations*, 1914, Supplement, p. 170.

763.72119/6140a : Telegram

*The Secretary of State to the Ambassador in Japan (Morris)*<sup>44</sup>

WASHINGTON, August 6, 1919, 6 p.m.

Following is text of statement issued by President Wilson tonight.

"The Government of the United States has noted with the greatest interest the frank statement made by Viscount Uchida with regard to Japan's future policy respecting Shantung. The statement ought to serve to remove many of the misunderstandings which had begun to accumulate about this question. But there are references in the statement to an agreement entered into between Japan and China in 1915<sup>45</sup> which might be misleading, if not commented upon in the light of what occurred in Paris when the clauses of the Treaty affecting Shantung were under discussion. I therefore take the liberty of supplementing Viscount Uchida's statement with the following:

In the conference of the 30th of April last, where this matter was brought to a conclusion among the heads of the Principal Allied and Associated Powers, the Japanese delegates, Baron Makino and Viscount Chinda, in reply to a question put by myself, declared that:

'The policy of Japan is to hand back the Shantung Peninsula in full sovereignty to China, retaining only the economic privileges granted to Germany, and the right to establish a settlement under the usual conditions at Tsingtao.

The owners of the railway will use special police only to insure security for traffic. They will be used for no other purpose.

The police forces will be composed of Chinese, and such Japanese instructors as the Directors of the Railway may select will be appointed by the Chinese Government.'

No reference was made to this policy being in any way dependent upon the execution of the Agreement of 1915 to which Count Uchida appears to have referred. Indeed, I felt it my duty to say that nothing that I agreed to must be construed as an acquiescence on the part of the Government of the United States in the policy of the notes exchanged between China and Japan in 1915 and 1918; and reference was made in the discussion to the enforcement of the Agreements of 1915 and 1918 only in case China failed to cooperate fully in carrying out the policy outlined in the statement of Baron Makino and Viscount Chinda.

I have, of course, no doubt that Viscount Uchida had been apprised of all the particulars of the discussion in Paris, and I am not making this statement with the idea of correcting his, but only to throw a fuller light of clarification upon a situation which ought to be relieved of every shadow of obscurity or misapprehension."

Repeat to Peking.

LANSING

<sup>44</sup> See last paragraph for instruction to repeat to Peking.

<sup>45</sup> See *Foreign Relations*, 1915, pp. 171 and 197.

763.72119/6513

*The Secretary of State to the Japanese Chargé (Debuchi)*

## MEMORANDUM

The Secretary of State presents his compliments to the Japanese Chargé d'Affaires and desires to express on behalf of his Government its appreciation of the frankness with which the Japanese Government stated its attitude in regard to negotiating with China concerning the restitution of Kiao-chou and German rights in Shantung in the memorandum handed to the Secretary of State on August 22, 1919.<sup>46</sup>

With the same frankness and same desire to avoid misunderstandings the Secretary of State has the honor to present his observations upon the memorandum of the Japanese Government and to state the views of the Government of the United States as to the situation which has been created by the delivery of the memorandum.

The Government of the United States would be wanting in candor if it did not admit that it views with grave concern the present attitude of the Japanese Government since it discloses that there is a radical difference of understanding as to the proposed negotiations with China. The Government of the United States had no doubt that the representatives of the Japanese Government at Paris clearly understood that a condition precedent to the assent of the President to Articles 156, 157 and 158 of the Treaty of Versailles was that the Japanese Government should agree that the Sino-Japanese Agreements of 1915 and 1918 should not be relied upon or referred to in the negotiations for the return to China of Kiao-chou and the German rights as dealt with in the Japanese statement to the Council of the Allied and Associated Governments at Paris.

The President, after careful consideration of the Japanese memorandum, directs the Secretary of State to say that he is deeply concerned that the Japanese Government have without doubt unintentionally declared a policy contrary to the understanding reached with the Japanese delegates at Paris; that during the conferences of the Council of the Principal Allied and Associated Governments Baron Makino and Viscount Chinda showed their willingness to accept the condition precedent by stating that their Government would not appeal to the Agreements of 1915 and 1918 in negotiating with China unless the latter refused to negotiate under Articles 156, 157 and 158 of the Treaty; and that the assent of the President to those Articles was given because he believed that the Japanese Government acting through their accredited

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<sup>46</sup> For text of Japanese memorandum, see addendum, p. 877.

delegates understood and agreed to disregard the Agreements of 1915 and 1918 in their negotiations with the Chinese Government relative to Kiao-chou in carrying out the agreement reached at Paris.

The President further directs the Secretary of State to say that, since his assent to the Articles of the Treaty depended upon the acceptance of this condition precedent, the non-compliance with that condition by the Japanese Government may oblige him to consider the necessity of discontinuing his support of the Articles in question, though he sincerely hopes that the Japanese Government will find it possible to remove the necessity of such action on his part.

The Government of the United States considers it needless in this connection to discuss the validity of the Agreements of 1915 and 1918 or whether the assent of the Chinese Government to those Agreements was given voluntarily or obtained by duress. The fact essential at the present time is that it was understood at Paris that they were not to be considered in the negotiations for the return to China of Kiao-chou and certain German rights in Shantung. In the event, however, that the Japanese Government find themselves unable to reconsider the position set forth in their memorandum, which it is sincerely hoped will not be the case, the Government of the United States may feel it needful to raise the question of the validity of such agreements though it would do so with reluctance and regret.

It is confidently anticipated that the Japanese Government upon further consultation with their peace delegates and upon consideration of the facts above set forth will find it possible to give a frank assurance to the Government of the United States that in accordance with the understanding reached at Paris they will not base their negotiations with the Chinese Government for the return of Kiao-chou and German rights upon the Agreements of 1915 and 1918 and that they will not introduce any terms of such Agreements into the negotiations. The grave embarrassments which may result from the failure of the Japanese Government to give an immediate assurance as outlined above cannot but impress that Government with the desirability of preventing the possibility of such embarrassments arising by changing the situation created by the memorandum under consideration and by removing all doubt and uncertainty as to the Japanese Government's intention to abide by the condition precedent as stated in this communication, and which the Government of the United States is firmly convinced is only now a subject of discussion through misapprehension of the facts on the part of the Japanese Government.



The Government of the United States in presenting this statement of the case has done so with all candor because it is not the part of friendship and of good understanding to withhold the truth or attempt to hide existing divergence of views. It is the earnest desire of the President and the Government of the United States to avoid everything which could affect unfavorably the friendly spirit and mutual confidence which have in the past characterized the relations between the United States and Japan; and it is, because of that desire, which is doubtless shared by the Japanese Government, that they are urged to give the assurance which will bring to an end the difference which has arisen as evidenced by their memorandum.

WASHINGTON, August 27, 1919.

793.94/1007

*Memorandum of the Third Assistant Secretary of State (Long)*

[WASHINGTON, August 29, 1919.]

Mr. Debuchi asked me today what exactly was meant by the words "immediate assurance" contained in the note from Mr. Lansing to him concerning the Shantung clause of the Treaty.<sup>49</sup> He wanted to know also why the answer must be immediate. I told him that if the President had relied upon the assurance of the Japanese Representatives in Paris and it now developed that they were not authorized by their Government to make such statements or that the Government did not know that they had made them—in which case the President should be immediately advised in order that he might not find himself longer in an embarrassing position. I told him further that the Foreign Relations Committee was dealing with the Treaty and would report it next week and that the President might care to take the matter up with them immediately.

He asked further what else might be done by the President than consult The Foreign Relations Committee. I told him that he might feel it incumbent upon him to take the matter up again in Paris.

BRECKINRIDGE LONG

793.94/1024

*Memorandum of the Third Assistant Secretary of State (Long)*

[WASHINGTON,] September 26, 1919.

Mr. Debuchi called and said that he was instructed by his Government to say that there were several points in the communication

<sup>49</sup> See *supra*.

sent at the direction of the President in regard to Shantung which the Japanese Government would take up, but that Viscount Chinda had carried on the negotiations in regard to Shantung in Paris, and that it was necessary for his Government to communicate with him, and that consequently there would be some further delay in answering the note of the President.

BRECKINRIDGE LONG

893.00/3346a

*The Secretary of State to the Chargé in China (Tenney)*

No. 1092

WASHINGTON, December 26, 1919.

SIR: The Department has observed with some feeling of embarrassment the fact that Americans in China are being accused of interfering in political questions in that country. While the Department believes that Americans have, as a general rule, been fairly careful as to their conduct under the rather trying circumstances which have occasionally existed, some little color has been given to such reports through facts which have come to the attention of the Department recently, relative to the circulation of requests for resolutions by American organizations in China dealing with questions of a political nature which concern only the Chinese Government and the Government of the United States.

The Department believes that the Legation should take an early opportunity of bringing to the attention of Americans in China, the desirability of carefully refraining from any acts or statements which might be interpreted as an interference either in the internal politics of the country, which they have chosen as their residence, or political questions of an international character. To that end there is enclosed herewith a copy of a circular which was used by Minister John M. B. Sill at Seoul, Korea, setting forth the attitude of this Government on such matters.<sup>50</sup> It is suggested that the contents of this circular be communicated to American residents in China through the various Consular offices. The circular might be mimeographed and sufficient copies sent to each Consular office, thus enabling it to forward copies to individual Americans living within the several districts. Copies of the circular might also be posted on the bulletin boards of the various Consular offices.

I am [etc.]

For the Secretary of State:

BRECKINRIDGE LONG

<sup>50</sup> See circular of May 11, 1897, vol. II, p. 459.

## COLOMBIA

### MESSAGE OF PRESIDENT SUÁREZ TO THE NATIONAL CONGRESS, JULY 20, 1919

821.032/25

*Extracts from the Message of President Suárez to the National  
Congress, July 20, 1919*<sup>1</sup>

[Translation<sup>2</sup>]

*Convention of 1914 with the United States*—The convention signed April 6, 1914 for resolving differences between Colombia and the United States arising out of the secession of Panama is still pending and is being studied by the Senate Committee on Foreign Relations at Washington. The convention was recommended to that body by the President of the United States in such a solemn manner that this affair and the great affair of universal peace were the sole subjects of a special message by President Wilson. The explicit declarations of the message in favor of our rights and of the expediency of approving the treaty, made by the statesman who is to-day the world's foremost advocate of international justice, create for our rights an incomparable title, and an imperishable claim upon the gratitude of the Colombian people. . . .

*Petroleum*—As the petroleum wealth of Colombia is beyond question and as it is so great that it occupies perhaps the third place among similar resources of American nations, it is necessary to legislate about this matter in terms that will fix clearly the right of the Nation and of the Departments, as well as those of the landed proprietors, to explore and to exploit the deposits. At the same time it is desirable to promote discreetly the influx of foreign capital, indispensable to our industrial progress, unless we prefer to remain in a sterile immobility which would perhaps be dangerous to our rights. To bar the road to foreign cooperation which would be favorable to our industries, to turn the key upon the resources which are guarded by our soil, is not to place them in safety, but, on the contrary, to excite in others the desire to take advantage of them and

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<sup>1</sup> Transmitted by the Minister in Colombia in his despatch No. 110, Aug. 1; received Aug. 25.

<sup>2</sup> Substituted for file translation.

to redouble that desire along with the ill will which selfishness usually occasions and merits.

Hence arises the desirability of studying the laws and regulations about this industry which were put in force by the nations which know it best on account of having the greatest petroleum resources. The first question which presents itself is that of the fundamental proprietorship of the deposits. In all times there has been a tendency to make in mining matters a distinction between the ownership of the surface and that of the interior of the earth, that is, between the proprietorship of the soil and that of the subsoil. The distinction has been derived from the eminent domain of the State, which in that respect has the fullest power to make use of the land, all the more so when the distinction is drawn between cultivation and extraction, that is, between the wealth which is easily utilized and the wealth which is accessible only with difficulty. The theory according to which proprietorship of the land is extended to cover all of the pyramid whose base is the exterior surface and whose height is the radius of the terrestrial sphere is contravened in practice by the theory according to which the ownership of the surface does not interfere with the exploitation of the subsoil, which, in conformity with the nature of the mining industry, generally does not interfere with the wishes or rights of the owner of the soil.

After this distinction is drawn, the question arises as to whether the two rights referred to coexist, one with the other, for the exclusive benefit of private parties, or whether the State should participate in the proprietorship of the subsoil from motives of public policy and as a right derived from eminent domain. The latter conclusion appears the more reasonable, not for the purpose of interfering with the exploitation of the subsoil or enhancing its value in an inequitable manner, but for that of facilitating and regulating its exploitation.

Such is the purpose of the decree about petroleum concessions, issued the 20th of June last.<sup>3</sup> It regulates the matter, starting with the idea already explained, and tends to define the various rights above referred to. But if, on any grounds, that decree should give rise to discussions within Your Honorable Body, the Government, whose duty is the sincere rectification of all Executive acts which merit it, would with pleasure see established by Congress or by the Judicial Power, a definite ruling in the matter, thus promoting, without fail, the public good and protecting the rights of capital invested in petroleum.

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<sup>3</sup> *Post*, p. 765.

TREATY OF APRIL 6, 1914, WITH THE UNITED STATES <sup>4</sup>

Amendments to the Treaty Proposed by the United States and Accepted by the Colombian Government—Proposals for an Amendment, Protocol, or Separate Agreement Safeguarding Oil Interests

711.21/418a : Telegram

*The Secretary of State to the Chargé in Colombia (Belden)*

WASHINGTON, July 5, 1918, 4 p.m.

Strictly confidential. Report by cable your carefully considered opinion based upon recent observations whether a new draft of treaty <sup>5</sup> would receive friendly consideration by the in-coming administration with a good chance of its acceptance by the Government and the people of Colombia. Such new treaty would embody all advantages possible of existing text together with such changes as will be requisite to meet the strong opposition existing in this country.

LANSING

711.21/422

*The Chargé in Colombia (Belden) to the Secretary of State*

No. 671

BOGORÁ, August 15, 1918.

[Received September 11.]

SIR: I have the honor to refer to my cablegram of the 29th ultimo <sup>6</sup> relative to the Treaty pending between the United States and Colombia, in which reference is made to a speech of Senator Fall of New Mexico in relation to this Treaty, and to report that on the 10th instant Senator Vicente Olarte Camacho proposed in the Colombian Senate that Senator Fall's speech be published for distribution. This proposal was opposed on the ground that it would be giving too much importance to the sentiments of Senator Fall. The President of the Senate, (who has just been appointed Governor of the Department of Antioquia), Pedro Nel Ospina, in suggesting that the proposition be withdrawn stated that the question of the Treaty would be dealt with anew in the American Senate in September or October and that he, therefore, considered that it would be inadvisable to attack the feelings (*tener el sentimiento*) of any American in the present moments, as an imprudent attitude might cause a new rejection of the Treaty. In view of these arguments, Senator Olarte Camacho withdrew his proposal.

I may add that it is strongly hoped and felt that the administration of President Suárez will succeed in bringing the question of the pending Treaty to a successful conclusion.

<sup>4</sup> Continued from *Foreign Relations*, 1917, pp. 292-300.

<sup>5</sup> For text of treaty, see *ibid.*, 1914, p. 163.

<sup>6</sup> Not printed; it was an answer to the preceding document.

In confirmation of my cable of the 29th ultimo I feel constrained to repeat that it is my belief that the presentation of a new Treaty, even though based on the terms of the present one, would only meet with hostility and probable defeat. A change in the wording of the first article of the Treaty in such a manner as not to offend either of the contracting parties would be far less apt to meet with opposition and, if the present Treaty with such modification should be approved by the Senate, I feel that whatever opposition might be met with could and would be overcome through the influence of President Suárez.

It is perhaps difficult for many to understand and appreciate the Colombian point of view as regards the Treaty. There are many in Colombia who feel that the question of the payment of money should never have been mentioned. Others believe that, inasmuch as the Treaty was proposed by the United States and approved by Colombia it should have been accepted in the United States without delay. Still others are of the opinion that it is better for Colombia to have the matter rest as it is. However, the greater part feel, and especially President Suárez, that the two countries cannot continue with their relations on such a false basis.

In his inaugural address President Suárez, speaking of the relations between Colombia and the United States, used the following terms in reference to the Panamá question (translation) :

“All of this (referring to Colombia’s commercial dependency on the United States) proves how important are the relations between Colombia and the American Union, which unfortunately have suffered a lamentable rupture, especially from 1903 to 1914, because of the state of quasi warfare, for surely the impediments which various governments of the United States have presented to prevent Colombia from recovering the best of her provinces amount to such a state of quasi warfare.”

“In 1914 that situation was replaced by a frank friendship through the Convention of April 6th of that year contracted on the initiative of the Government at Washington and which proves on its part a high spirit of equity”.

While there are Colombians who feel that the Panama incident should never have taken place and that it should have been possible in some manner for the two countries to have come to a peaceful and equitable agreement, the feeling that a wrong has been done is too deep to be overcome by the presentation of arguments to the contrary. It is, however, to-day recognized that the two countries, friends for so many years, must come to an agreement relative to Panama. It is felt that Colombia must look to the United States (to-day more than ever) and that the United States needs the friendship of her sister republic. Finally, there comes the sentiment that

the great cause for which the United States and her allies are fighting is the true cause of democracy for which Bolívar and his men fought.

It is, therefore that I so strongly feel that now is the time to urge the settlement of this long pending question. Once that the two countries have come to an agreement in the sense that I have had the honor to mention, it will be possible for their Governments and peoples to enter upon a new era of friendship, cooperation and peace.

I have [etc.]

PERRY BELDEN

711.21/445a : Telegram

*The Acting Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, *February 18, 1919, 7 p. m.*

Strictly confidential. For Minister Philip.

To be deciphered upon arrival of the Minister.<sup>7</sup>

On February 7 the Colombian Minister called at the Department. The statement which Mr. Polk had made to the Minister at his dinner on January 27 was reiterated to him. This statement was as follows. "That Mr. Polk had told the Minister that the Department felt that it was not possible to send Mr. Philip to Colombia until this time owing to the status of the Treaty but that it was now definitely known what the Republican senators would approve of and support and that Mr. Philip had been instructed to bring this to the attention of the Colombian Government; further that Mr. Polk knew definitely that the Republican senators were very uncompromising in their feelings and that he had just been able at this moment to obtain a statement of their maximum concessions".

The Minister then asked to be informed what were the maximum concessions. He was told that the total elimination of Article 1 and certain other modifications were necessary. He then requested that he be informed as to these modifications as he knew his Government would inquire of him concerning his opinion as to all contemplated changes in the Treaty, going on to say that he desired to be fully informed as the Liberal Party in Colombia in addition to his Government would ask his advice in connection with Mr. Philip's negotiations with Colombia. He stated that he was of the opinion that the Treaty should go through even though Article 1 is eliminated and that in view of the fact that he was convinced of the good feeling of the Administration in trying to do everything in its power to have the Treaty ratified as signed, he felt that this should be sufficient to satisfy Colombia even though political

<sup>7</sup>Hoffman Philip was appointed Minister to Colombia Aug. 8, 1917, but did not assume charge until Feb. 22, 1919.

opposition in the United States Senate prevented ratification of the signed Treaty. He further said that he would counsel his Government and the Liberal Party along these lines and recommend acceptance of Treaty with the elimination of Article 1. The Department considered that it was advisable that the Minister be given the information requested and a statement of the maximum desires of the Republican senators and therefore such a statement was prepared embodying most of the modifications suggested by Senators Knox and Lodge and the Minister on February 15 was handed the following statement confidentially and informally and told that Mr. Philip had received more detailed instructions and that this statement could only be considered as an outline. "The entire Article 1 in the original text to be stricken out of the Treaty. 'Article 2' in original text to be changed to read *Article 1*. The words 'Even in case of war between Colombia and another country' in Paragraph 1 of Article 2 of original text to be stricken out. The words 'During the construction of the interoceanic canal and afterwards' in Paragraph 4 of Article 2 of the original text to be stricken out. The words 'Even in case of war between Colombia and another country' in Paragraph 4 of Article 2 of the original text to be stricken out. The sentence 'The provisions of this paragraph shall not however apply in case of war between Colombia and Panama' in Paragraph 4 of Article 2 of the original text to be stricken out. The words *for Colombian consumption* to be inserted between the words 'Colombia' and 'passing from' in Paragraph 5 of Article 2 of the original text. The words *Whenever traffic by the canal is interrupted* to be inserted between the words 'shall' and 'be transported' in Paragraph 5 of article 2 of the original text.

[“]The words 'Article 3' in the original text to be changed to read *Article 2*. The original text of this said 'Article 3' to be stricken out and replaced by the following. *The Government of the United States of America agrees to pay at the city of Washington to the Republic of Colombia the sum of \$25,000,000, gold, United States money, as follows: The sum of \$5,000,000 shall be paid within six months after the exchange of ratifications of the present Treaty, and reckoning from the date of that payment, the remaining \$20,000,000 shall be paid in four annual installments of \$5,000,000 each; it being understood by the high contracting parties that no attorney or other person shall be entitled to receive compensation from these moneys for legal or other fees incurred in the United States during the negotiations for or in connection with the ratification of the Treaty between them.* The words 'Article 4' and 'Article 5' in the original text to be stricken out and replaced by the words *Article 3* and *Article 4* respectively”.



After reading the above statement the Colombian Minister said in regard to the text of Article 2 as it stands modified at present that he considered the last Section beginning "It being understood" and ending "between them" as being a statement which would be resented by the Colombian people and by the President himself.

The Minister further stated that the Government of Colombia before his arrival in Washington had paid Hannis Taylor for all his legal services and upon Doctor Urueta's arrival in Washington acting under the instructions of his Government he had officially advised Mr. Taylor that his services would be no longer required and that since this time no attorney or legal officer has been employed by the Colombian Legation in Washington.

The Minister feels that it would be most unwise to include this statement regarding legal fees in the Treaty and suggests that if possible the Government of Colombia send him instructions to present a formal note to the Government of the United States in the sense of his various statements to the Department in connection with the employment of attorneys.

The Minister feels that owing to the many conversations which he had at the Department in connection with Smith's<sup>8</sup> letters both to himself and to Mr. Polk that a note such as suggested could well be written at this time not necessarily having particular connection with the present status of the Treaty, and that this note would serve the same purpose. As the statement which was presented to the Minister is considered informal and only as a guide and particularly for his own information, he feels that it would be best for him not to include the portion of Article 2 which has been mentioned above in the cable which he will send his Government.

The Minister stated that he felt that the principal objection in the Colombian Congress would be to the elimination of Article 1 and that the other modifications suggested did not appear to be so essential or difficult with the exception of the matter of the attorney's fees. He stated that he strongly hoped that the matter could be brought before the United States Senate before the fourth of March both on account of the complexion of the United States Senate and also in view of the fact that the Colombian elections will be held in the spring and it would be advisable to call a special session of the Colombian Congress to pass upon the Treaty in its modified form if agreed to by the Government of Colombia and ratified by the United States Senate before these elections, on account of party politics in

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<sup>8</sup> Harry Worcester Smith, an American citizen, had proffered his services to the Colombian Government to act as "confidential adviser" with a view to bringing about a settlement, on a commission basis, of the pending question of a treaty between Colombia and the United States (File No. 711.21/432).

Colombia. The Minister said that if his Government was willing to accept the modifications which Mr. Philip would suggest he trusted that an expression on the part of the Colombian Government that it approved of the modifications and would do all in its power to have them passed by the Colombian Congress, would be all that was necessary to have the matter brought up in the United States Senate. This would seem to be sufficient to the Department for it is obvious that the Colombian Government cannot officially guarantee the approval of the Colombian Congress to the modified Treaty. It is understood that the Minister is cabling his Government urging prompt action as soon as you have had time to present matters to them.

POLK

711.21/454

*The Minister in Colombia (Philip) to the Acting Secretary of State*

No. 3

BOGOTÁ, *March 1, 1919.*

[*Received April 2.*]

SIR: With reference to my cable message of February 27; 8 p.m.,<sup>9</sup> which reported the acceptance by the Colombian Government of certain modifications in the text of the Thomson-Urrutia Treaty of 1914,<sup>10</sup> I have the honor to transmit, herewith, copies of the notes exchanged that day between the Colombian Minister for Foreign Affairs and myself.

During the conference which preceded the signing of these notes the President of Colombia, who assisted, assured me that the Colombian Government would entertain no objection to the publication of its own note, should the Government of the United States so desire, although he supposed that such publication would not take place until after the ratification of the Treaty.

I have [etc.]

HOFFMAN PHILIP

[Enclosure 1]

*The American Minister (Philip) to the Colombian Minister for Foreign Affairs (Molina)*

No. 326

BOGOTÁ, *February 27, 1919.*

EXCELLENCY: With reference to our conference of this date held in the presence of His Excellency the President of Colombia, I have the honor to submit for the approval of your Government the fol-

<sup>9</sup> Not printed.

<sup>10</sup> The treaty under discussion.

lowing modifications of the Treaty of 1914 between the Governments of the Republic of Colombia and of the United States of America :

In the preamble of the Treaty the words "is constructing" in the original text to be stricken out and to be replaced by the words "*has constructed.*"

The entire Article I in the original text of the treaty to be stricken out.

"Article II" in the original text to be changed to read "*Article I.*"

The opening sentence of "Article II" in the original text, after the words *Panama Railway*, to be lengthened to read: *the title to which is now vested entirely and absolutely in the United States of America, without any incumbrance or indemnities whatever.*

The words "even in case of war between Colombia and another country" in Paragraph 1 of Article II of the original text to be stricken out.

The words "during the construction of the inter-oceanic canal and afterwards" at the beginning of Paragraph 4 of Article II of the original text to be stricken out.

The words "even in case of war between Colombia and another country" in Paragraph 4 of Article II of the original text to be stricken out, also the last sentence of this Paragraph 4 of Article II of the original text, which reads "the provisions of this paragraph shall not, however, apply in case of war between Colombia and Panama" shall be stricken out.

The words *for Colombian consumption* to be inserted between the words "Colombia" and "passing from" in Paragraph 5 of Article II of the original text. The words *whenever traffic by the canal is interrupted* to be inserted between the words "shall" and "be transported" in Paragraph 5 of Article II of the original text.

The words "Article III" in the original text to be changed to read *Article II.* The original text of this said "Article III" to be stricken out and to be replaced by the following: *The Government of the United States of America agrees to pay at the city of Washington to the Republic of Colombia the sum of \$25,000,000, gold, United States money, as follows:*

*The sum of \$5,000,000 shall be paid within six months after the exchange of ratifications of the present treaty, and, reckoning from the date of that payment, the remaining \$20,000,000 shall be paid in four annual installments of \$5,000,000 each.*

The words "Article IV" and "Article V" in the original text to be stricken out and replaced by the words *Article III* and *Article IV*, respectively.

I am given by Your Excellency to understand that the Government of Colombia agrees to accept without qualification the above modifications and that it will do everything in its power to insure the ratification by the Colombian Congress of the treaty thus modified, as soon as that body shall resume its next session.

Also, that the moneys to be paid by the Government of the United States to the Government of Colombia shall be principally employed for the carrying out of public works and the improvement of trans-

portation facilities in Colombia, and that the Government of Colombia will, further, undertake that no part of the moneys in question will be paid for legal or other fees incurred in the United States in connection with the negotiations for or the ratification of the treaty.

I have [etc.]

HOFFMAN PHILIP

[Enclosure 2—Translation]

*The Colombian Minister for Foreign Affairs (Molina) to the American Minister (Philip)*

[BOGOTÁ, February 27, 1919.]

MR. MINISTER: With reference to the Treaty of 1914 pending between Colombia and the United States, I have the honor to inform Your Excellency that my Government accepts the modifications proposed by Your Excellency's Government and communicated in Your Excellency's note of February 27, 1919, and that it will do everything within the reach and sphere of its power to have them approved in the next Colombian Congress.

I avail myself of this occasion to reiterate what the Colombian Government has already unofficially [*officially?*] declared, viz: that the indemnity proceeding from the treaty will be employed in public works and improvements of internal benefit and of utility to international commerce, such as port works and transportation facilities. I now add that from the indemnity no sum will be deducted for the payment of commissions or fees for services in connection with the negotiation and ratification of the treaty. Contracts for public improvements will be granted to Colombian citizens and to foreigners, in accordance with Colombian laws and public treaties, there being conceded, naturally, to citizens of the United States the consideration which corresponds to the extraordinary importance of the relations between the two countries.

With assurances [etc.]

P. A. MOLINA

711.21/448 : Telegram

*The Acting Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, March 3, 1919, 7 p.m.

Your Number 6 February 27, 8 P.M.<sup>11</sup>

Your telegram was only received by Department late the afternoon of March 1 and Congress adjourns at noon tomorrow. The Department regrets that owing to shortness of time and the tremen-

<sup>11</sup> Not printed; see despatch of Mar. 1 from the Minister in Colombia, p. 731.

dous press of business before Congress during the last few hours of this session, including appropriation bills of vital importance, it has not been possible to submit the amended Treaty for ratification. To have done so at this time might have had a prejudicial result on the negotiations.

It is very probable that there will be a special session of Congress in June and in that case Congressional action upon the Treaty can be obtained at that time.

POLK

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711.21/470: Telegram

*The Acting Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, May 23, 1919, 1 p.m.

Your May 20, 4 p.m.<sup>12</sup> Strictly confidential.

From Johnson.<sup>13</sup>

The President has instructed the Department to take up treaty with Senate immediately. Mr. Polk has written Senators Lodge and Knox giving them present situation in full and urging action.

Mr. Lodge's attitude appears to be favorable though one or two points remain to be cleared up. Will keep you informed.

POLK

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711.21/469: Telegram

*The Minister in Colombia (Philip) to the Acting Secretary of State*

BOGOTÁ, June 8, 1919, 10 a.m.

[Received June 10, 2.55 p.m.]

82. Strictly confidential. The newspaper *Diario Nacional* announced lately that the Colombian treaty had been discussed in the United States Senate on the 31st ultimo with unfavorable results. Although I consider this report unreliable, I respectfully urge upon the Department the advisability of keeping me informed of developments in advance of any press cable reports and also that such information be furnished me before being given to the Colombian Minister, Cuba [*sic*]. There is an impression current here that the Senate will put aside this matter in the absence of the President and that only his personal effort and insistence could bring it to a settlement. It might accelerate action by the opposition if this opinion were made known to it together with the fact that psychological moment for action is now, if the most advantageous effect upon our interests in this country is to be assured.

PHILIP

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<sup>12</sup> Not printed.

<sup>13</sup> Hallett Johnson, diplomatic officer on duty in the Department.

711.21/469 : Telegram

*The Acting Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, June 11, 1919, 5 p.m.

Your No. 82, June 8, 10 a.m.

Confidential from Johnson. Mr. Polk has reason to believe that Senators Lodge and Knox, and the democratic members of the Foreign Affairs Committee favor the amended treaty and that the Committee on Foreign Relations would have reported favorably on the treaty, had not such action been delayed by discussions and resolutions in the Senate regarding the Peace Treaty and the advisability of separating the League of Nations Covenant from it. At the present moment, therefore, it is a little difficult to form an opinion as to when action may be expected on Colombian Treaty.

The statement in the *Diario Nacional* that the Colombian Treaty had been discussed in the United States Senate on the 31st ultimo, with unfavorable results, utterly lacks foundation as the treaty has not yet been discussed in the Senate.

POLK

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711.21/477 : Telegram

*The Minister in Colombia (Philip) to the Acting Secretary of State*

BOGOTÁ, July 15, 1919, 10 a.m.

[Received July 18, 7.20 p.m.]

100. Strictly confidential for Mr. Polk. I respectfully submit, for your approval, the following statement with the suggestion that it be forwarded to the Chairman of the Senate Foreign Relations Committee: <sup>14</sup>

“Mr. Chairman etc; After a residence of nearly five months in Colombia as American representative, I feel impelled to urge upon your Honorable Committee the advisability of hastening action upon the amended treaty of April 6th, 1914, with Colombia. The Colombian Congress will convene on the 20th instant and probably it would have been highly advantageous to American interests in general if the Senate of the U.S. could have advised favorably upon this treaty before that date. In view of the prompt agreement by the Colombian Government to the various modifications proposed by me in February last, I had confidently hoped that opportunity might have been found to deal with the matter, which closely affects our political and commercial relations with this and other South American Republics, at an earlier date. With a full knowledge of the enormous pressure of business now before the Senate, yet, on behalf of what I conceive to be the best interests of the United States, I

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<sup>14</sup> Transmitted to Senator Lodge, July 24, 1919.

respectfully and earnestly advise an immediate settlement of this long standing difference. That such action on the part of our Government will be a noble one, will be doubly appreciated by these and other peoples of this continent if consummated without delay.[<sup>15</sup>]

PHILIP

711.21/478a : Telegram

*The Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, July 31, 1919, 5 p.m.

Senate will begin Monday consideration Colombian Treaty in open session. Foreign Relations Committee favorably reported it by unanimous vote this week. *New York Times* editorially today says it is matter of regret that there should be sense of wrong and feeling against United States in Colombia and adds "in satisfying Colombia we also shall do much to satisfy rest of Latin American republics of our unselfish designs, our desire to do them right and justice, to deserve and keep their confidence and friendship." Give to press.

LANSING

711.21/478 : Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, August 2, 1919, 3 p.m.

[Received August 4, 4.30 p.m.]

108. Colombian Foreign Office and press announce that treaty will be discussed by Senate in open session Tuesday the 5th instant. I respectfully suggest that steps should be taken to avoid discussion of confidential agreement and note of Colombian Government signifying acceptance of modifications which I obtained for information of committee only. President in agreeing to publication of the note stipulated that it would be subsidiary [to] ratification in [of] treaty.

PHILIP

711.21/478 : Telegram

*The Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, August 5, 1919, 5 p.m.

Confidential. Your 108, August 2, 3 p.m., received early August 5th<sup>15</sup> and immediately communicated to Senator Lodge.

LANSING

<sup>15</sup> Telegram of Aug. 2 received in the Department's telegraph office on Aug. 4 at 4.30 p.m., but was not distributed in the Department until the following morning.

711.21/478b : Telegram

*The Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, August 9, 1919, 5 p.m.

On Thursday August 7th the Senate recommitted the Colombian Treaty to the Foreign Relations Committee. Senator Lodge stated in that session the following; "I ask that the treaty with Colombia which was reported to the Senate as in open executive session a few days ago be recommitted to the Committee on Foreign Relations. Information has reached the Committee from the State Department in regard to a recent decree by Colombia<sup>16</sup> very similar to the Mexican decree which would amount, probably, if enforced, to a confiscation of private property in oil and the Committee feel that the matter should be examined with care before taking up the treaty."

The Sub-Committee of the Foreign Relations Committee to which the matter was referred and with which the Department has conferred is now of the opinion that the best way of safeguarding American interests in Colombia, as well as in other parts of Latin America, will be by means of an amendment to the treaty in this connection. The precise phraseology of the amendment has not been determined but the following is a first draft thereof: "The signatories agree that neither will by decree, law, departmental circular, constitutional amendment, or through the acts of their legislative, executive or judicial department, in any way nullify, or alter, or question, the rights of the citizens of the other signatory, to real estate, mines, petroleum deposits or any other like property in its country, acquired prior to the exchange of ratifications of this treaty, unless in the title documents or written contracts, whether public or private, under which such real estate or other property is claimed or held, specific reservations or limitations are made and set forth."<sup>17</sup>

Confidential. The Department desires you to present this matter to the Government of Colombia in a confidential manner and to indicate to it the contents of the proposed amendment. The action of the Senate in recommitting the treaty to the Committee was taken because uncertainty exists as to the motives and definite purposes of the Colombian Government with respect to the nationalization, or retroactive application of the principle of nationalization, of oil lands.

Neither the Department nor Congress desire in the slightest degree to interfere with the sovereign rights of Colombia in the disposition of her public lands, mines, or other property.

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<sup>16</sup> *Post*, p. 765.

<sup>17</sup> For a sentence subsequently added to this draft, see p. 774.



It is simply desired to make it plain that the interests of American citizens, in any property of whatsoever kind, acquired, without notice of limitations or reservations, in good faith must be protected by Colombia.

Cable Department result of your conversation with Government of Colombia and statement of attitude with which it views proposed amendment.

LANSING

711.21/481: Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, August 13, 1919, 10 a.m.

[Received August 18, 3.44 a.m.]

112. The Department's August 9th, 5 p.m., informing me of the referring of Colombian Treaty to the Senate Committee on Foreign Relations and reasons therefore was received yesterday. I immediately obtained a conference with the President and the Minister for Foreign Affairs at the palace and gave them a paraphrase of Senator Lodge's statement to the Senate. The Colombian Government had received all information from its Legation at Washington. In the course of the conversation the President said that he deeply regretted the turn affairs had taken and that he thought it had been well understood that the decree of June 20th was published for the purpose of hastening legislation by the Colombian Congress and not as a definite solution of the petroleum question in which, [he said,] Colombian land owners are interested to a very much greater extent than are Americans and other foreigners up to the present time. Both the President and the Foreign Minister expressed surprise that the American Government should propose to attach an amendment concerning Colombian petroleum rights to the Panama Treaty. It was, also, remarked that, of course, any special agreement entered into with the United States relative to petroleum development would entail similar arrangements with other foreign governments. The President stated the Colombian Government would consider the question of the Senate Committee's proposed amendment and that he would inform me of the result as soon as possible.

For the Department's confidential information. I have gathered the impression that the Colombian Government considers that this check to favorable treaty action by the Senate is chiefly due to the activities of Colombian land owners agitating in the United States through the few American owners of oil lands in Colombia. The Colombian Congress is now studying a projected petroleum law

which, although it involves government ownership of subsoil rights, would seem to be in other respects favorable to foreign interests and to resemble the former Mexican laws involving right of denouncements. My July 29th, 3 p.m.<sup>18</sup> An additional Presidential decree dated the 12th instant and published yesterday afternoon revokes the decree of June 20th on the ground that it might be considered an obstacle to the present labors of the Congress in enacting a complete law to grant the mining of petroleum.<sup>19</sup>

PHILIP

711.21/480 : Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

Bogotá, August 15, 1919, 10 p.m.

[Received August 16, 3.35 p.m.]

114. Confidential. I conferred with the Ministers for Foreign Affairs and Public Works yesterday relative to the subject of Department's August 9, 5 p.m. Earlier in the afternoon these Ministers had been in secret session with a congressional committee and had explained the situation as outlined by you in the above cablegram under the head of confidential information.

They gave me a tentative draft of an amendment or protocol to which they were of opinion the Government might agree though it is very disinclined to further amend or change the treaty especially in view of the strong public feeling which has been aroused by the publicity given the cause of our Senate's action. This draft which embodied a reciprocal guarantee to protect rights acquired by nationals was last night returned by me at the request of the Minister for Foreign Affairs who said it was desired to make some further changes in it before it is submitted. The Ministers stated that the Government cannot consent to the mention of American petroleum rights in the treaty and that it earnestly desires that any agreement which may be arrived at may be embodied in a separate protocol to be signed if desired at the same time as the treaty; moreover that it is manifestly impossible for the Government to give any undertaking [as to?] private ownership of subsoil rights as the question forms at present one of the most debated points of pending Colombian legislation. I impressed upon the Minister the advisability of adopting some means of demonstrating to the American people the good faith and real desire for friendly relations on the part of Colombia, which seemed to be well received.

<sup>18</sup> Not printed; see despatch No. 107, July 30, p. 769.

<sup>19</sup> See the Minister's telegram of Aug. 14, p. 771.

I feel compelled to bring to the attention of the Department the serious situation resulting from the publication of Senator Lodge's statement in the Senate relative to the withdrawal of the treaty. Coming at the end of a national celebration of the battle of Boyaca when the whole country was expectantly awaiting a favorable settlement of the treaty, the effect of this announcement apparently has been such as to greatly impair American prestige not only in Colombia but in South American Republics as well. The surprise and disappointment occasioned by our action in merging the treaty question with that of the pending petroleum legislation is all too apparent among Colombians of all classes, my South American colleagues and American representatives of oil and other interests here. The press of Bogota is practically unanimous in condemning what is termed the imperialistic and coercive policy of the great northern Republic and I have had warning that violent demonstrations may result. Telegrams of sympathy are published from Chile and other governments. Had the Department's and the Senate's desires in this matter been made known to me confidentially I think much could have been accomplished which is now rendered most difficult. In any event the President's unfortunate decree of June 20th<sup>20</sup> would have been revoked. . . .

PHILIP

711.21/497

*The Minister in Colombia (Philip) to the Secretary of State*

[Extract]

No. 118

BOGOTÁ, August 22, 1919.

[Received September 18.]

SIR: Adverting to my cable messages numbers 114 and 117 of August 15: 10 p.m. and August 21: 10 a.m.,<sup>21</sup> respectively, and to other correspondence relative to the action of the Senate of the United States in recommitting the treaty with Colombia to its Committee on Foreign Relations, I have the honor to transmit herewith copy and translation of a note received by me from the Colombian Minister for Foreign Affairs, dated the 19th instant.

I am given to understand that this note has been drawn up after mature deliberation by the Colombian President, his Cabinet and representatives of the Congress of the Republic, and that it is to be considered as a definite reply of the Colombian Government to the proposal of Senator Lodge to amend the pending treaty as set forth in the Department's cabled instruction of August 9: 5 p.m.

<sup>20</sup> *Post*, p. 765.

<sup>21</sup> Latter not printed; it transmitted a summary of the note enclosed with this despatch.

The details of the statement made to the United States Senate in its session of the 7th instant have not yet become public here and I apprehend that when such is the case they will have the effect of increasing the Colombian feeling of resentment toward the action and suspicion of the motives of the United States in connection with the present stand taken in the treaty matter.

I have [etc.]

HOFFMAN PHILIP

[Enclosure—Translation]

*The Colombian Minister of Foreign Affairs (Holguin y Caro) to  
the American Minister (Philip)*

BOGOTÁ, August 19, 1919.

MR. MINISTER: I have the honor to refer to the various conversations with Your Excellency during the last few days relative to the suspension by the Senate at Washington of the consideration of the Treaty of April 6, 1914.

According to information furnished by Your Excellency and by our Legation in Washington, the cause of that suspension was the fear that a decree in regard to petroleum which was issued on June 20th last might affect legitimate rights of American citizens. As to this point, Your Excellency already knows that the decree in question was suspended a short time after its issuance because it was considered to be a matter which the Congress should consider during its present sessions. And as the Congress has already commenced to consider legislation in regard to this, the Government does not intend to revive that decree in any form but will leave to the Congress the ample and complete regulation of this affair. The Congress, then, in its enactment of a law in accordance with peremptory terms of the Constitution, will have to protect the rights which foreigners as well as nationals have previously and legitimately acquired.

Now that this point has been cleared up, I should state to Your Excellency that my Government is convinced that it is impossible to-day to introduce into the body of the treaty referred to any clause which is foreign to the subject matter of that treaty, that is, the secession of Panama, and that if such a course is pursued it would result in the rejection of that important pact by our Chambers and by the public opinion of Colombia. It is because my Government lends [*attaches*] great importance to the approval of the Treaty and sees in it a means of wiping out all causes for disagreement between Colombia and the United States that it abstains from proposing any new modification which would frustrate the persistent

labor of years, thanks to which bases for an understanding between the two Governments have been arrived at.

Now that the idea of introducing new modifications into that pact has been discarded, my Government is disposed to give to the Government of Washington full guarantees relative to the rights of American citizens in Colombia, rights which, like those of all foreigners, are guaranteed by us in the same way as are the rights of our own nationals. My Government desires that the Government of Washington shall not have the least doubt about this point.

And for this purpose I state to Your Excellency that our Legation has communicated to us that, according to information lately received, complaints have been made to Your Excellency's Government by entities which have interests in Colombia; the American Bank, the Santa Marta Railway, the Fruit Company and the Platinum Company.

I anticipate by saying that, as Your Excellency already knows, relative to the American Bank my Government has not done otherwise than to make some just complaints to your Excellency's Government, and that on doing so it has only desired to dissipate opportunely all causes for misunderstanding with an important American institution, to conserve the common rights of the Government and to avoid the formation among us of an atmosphere unfavorable to that institution, which might later prejudice others of an analogous character or origin.

The Santa Marta Railway Company has not made any complaint against the Government; so that I do not understand what rights have supposedly been denied it.

Relative to the Fruit Company, I had the pleasure of requesting through Your Excellency that an intimation be made to it as to the desirability and justice of raising the price of fruits, as has happened in other countries, and it seems that that request will be attended to.

Doctor Urueta also spoke to us about platinum operations. The tax levied on this industry, which is in no way prejudicial, has been well received in the Choco region and it is not seen how this can be the cause of any disagreement.

In short, my Government is ready to make the necessary explanations about this or any other points which the Government at Washington may consider doubtful; for its constitutional duty and the sentiments by which it is animated harmonize in the enforcement of every legitimate right, without exception of persons.

My Government is, as I so stated to Your Excellency at the beginning of this note, unable to involve in a pact which treats of a particular and single subject questions which are absolutely foreign to that negotiation; and it therefore expects that Your Excellency will

give a new proof of the high spirit of rectitude which animates you by transmitting these observations to your illustrious Government which, without doubt, will consider them as being an unequivocal demonstration of the sincerity of purpose which guides the Government of Colombia in its desire for the development and maintenance of their mutual relations.

I take [etc.]

HERNANDO HOLGUIN Y CARO

711.21/482: Telegram

*The Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, August 28, 1919, 6 p.m.

Your August 18, 10 a.m.,<sup>26</sup> August 21, 10 and 11 a.m.<sup>27</sup>

You are correct in assuming that Department and Senate realize great importance of pending Colombian legislation on nationalization of petroleum deposits.

After consulting Subcommittee of Senate Foreign Relations Committee, Department believes this Government would be disposed to make agreement with Colombia providing that neither Government should in any way nullify rights of citizens of the other contracting party in or to real estate, mines, petroleum deposits, or other similar property in its country acquired prior to execution of agreement, unless in the documents of title or written contracts, whether public or private, under which such real estate, or other property, is claimed or held, specific reservations or limitations on such rights are made and set forth.

Agreement should further provide that foregoing provisions are intended to obviate, so far as possible, future legal or diplomatic controversy arising through any claim of right of either power to nationalize any property acquired by nationals of either power through any contract, lease, deed or concession wherein specific reservation or limitation authorizing such subsequent nationalization is not distinctly set forth in original title to such property.

Third paragraph [*sic*]. Parties agree to recognize to fullest extent general rights of sovereignty of each nation within its own boundaries, including, as attributes of sovereignty, right to enact revenue and other legislation, with the understanding, however, that neither power will discriminate against citizens of the other in governmental grants, leases, franchises or contracts, or other means of acquisition of property rights, titles or interests, within its boundaries, but will afford to such citizens all possible protection in the enjoyment of such rights.

<sup>26</sup> *Post*, p. 771.

<sup>27</sup> Neither printed.

In view of foregoing, which Senate appears to be insistent upon, notwithstanding observations your August 21, 11 a.m., it is felt that Colombian treaty will be likely to remain in committee until purpose of Colombian Government respecting property rights in question is defined in binding agreement.

LANSING

711.21/482: Telegram

*The Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, August 29, 1919, 2 p.m.

Please take no action on Departments Aug. 28, 6 P.M. until further advised.

LANSING

711.21/484: Telegram

*The Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, August 30, 1919, 6 p.m.

The Colombian Minister has signified a disposition to cable his Government some suggestions relating to a protocol to be proposed by his Government. Should that Government act on its Minister's suggestion, and their proposals be acceptable to the United States it is felt that our Congress would not insist upon signature or ratification at the same time as the Thomson-Urrutia treaty because it has the assurance of Minister Urueta that a magnanimous attitude on our part in passing the Thomson-Urrutia treaty would produce such a favorable impression that the proposed new treaty would be ratified by Colombia.

The exchange of ratifications of both treaties might take place at the same time.

LANSING

711.21/490: Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, September 3, 1919, 3 p.m.

[Received September 8, 10.05 p.m.]

125. Department's telegram August 29th, 2 p.m. just received. On September 1st, I handed Minister for Foreign Affairs for consideration by Colombian Government paraphrase of terms of agreement resulting from Department's consultation with Sub-committee of the Senate Committee on Foreign Relations and embodied in your Au-

gust 28th, 6 p.m. Colombian Government had not then received any proposal from its Minister at Washington as suggested in Department's August 30, 6 p.m. The Foreign Minister stated he would refer the matter to the President.

PHILIP

711.21/491 : Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, September 9 [4<sup>th</sup>], 1919, 3 p.m.

[Received 6.25 p.m.]

127. Last paragraph my August 21st, 11 a.m. and my despatch number 112 of August 8th, last.<sup>28</sup> President has sent me a memorandum of our conversation of August 4th, in which he again brings up the question of the proposed modifications of paragraph[s] 1 and 5 of article 2 of the treaty of 1914. Apparently he desires very greatly to have the clause relative to the contingency of war left as originally drafted in paragraph 1, and that the other modifications provided for in article 2 likewise should be waived by our Government in consideration of the fact that the Colombian Government may now agree to sign the proposed proctocol, which he considers in the light of a further concession required by our Government.

In conversation regarding this he said that he apprehended great opposition here now to the change in paragraph[s] of article 2 and that he begs that every effort be made by our Government to arrange for leaving this in the treaty, and if possible that the entire article 2 be left unchanged. He further said that article 33 of the Colombian Constitution guaranteed the rights of foreigners, but that he thought every assurance desired could be given in a protocol et cetera.

PHILIP

711.21/494 : Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, September 16, 1919, 10 a.m.

[Received September 17, 5.45 p.m.]

134. Following the publication by the *Diario Nacional* on Saturday of alleged cablegram from President Suarez to the Colombian Consul General at New York, stated to have been sent in August and published in the United States, the entire opposition press is up in arms. It announces that the Ministers for Foreign Affairs

<sup>28</sup> Neither printed.



and Public Works will probably resign and that the President will probably retire. The alleged telegram, of which no denial has been made, requests the Consul to inform interested persons that the Government welcome[s] foreign capital; that the petroleum decree does not affect acquired rights and that it has been suspended and will be annulled; that legislation more favorable to commercial interests will be expedited; that the Government has made representations to the American Legation promising to guarantee the rights of foreigners et cetera. This alleged telegram is signed President Suarez.

The entire opposition press has denounced this message as an outrageous humiliation in view of the attitude of the United States and summons Liberals and Republicans in Congress to call immediately meetings to protest and to decide upon action. It asserts openly that the President must resign. The resignation of the Minister for Foreign Affairs is received with bad grace on the ground that it is too late to try and escape responsibilities to which he is already committed et cetera.

Later, the resignation of the Minister for Foreign Affairs is definitely announced this morning.

The situation is obscure and unsatisfactory. The Conservatives seem to me too strong to be overthrown and I see no elements of strong government in the opposition. It is possible that the President might resign, keenly disappointed as he is over the action of our Government on the treaty question and by the criticism which his every public act elicits. This I think would be unfortunate for our interests which probably would best be served by an effort to strengthen the hand of the present Executive.

PHILIP

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711.21/494 : Telegram

*The Acting Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, September 20, 1919, 4 p.m.

Your September 16 10 A.M.

Department regrets condition described. You may assure President Suarez of our sympathetic appreciation of his position and say that the treaty situation is not without hope here, provided an early agreement may be reached as to the protocol.

Department expects soon to telegraph regarding idea suggested your despatch 112 of August 8<sup>29</sup> and telegram of September 9 [4?], 3 p.m.

PHILLIPS

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<sup>29</sup> Not printed.

711.21/491 : Telegram

*The Acting Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, September 25, 1919, 5 p.m.

Your September 9 [4<sup>th</sup>], 3 p.m.

Referring to modified treaty the Department, after consultation with the Senate, regrets that it will be impossible to permit the clause relating to war in paragraph 1, Article 1; paragraph 5, same Article; or, Article 2, to remain as in Treaty of 1914. In paragraph 5 as modified only the words "for Colombian consumption" and "whenever traffic by the canal is interrupted" have been added.

Even after ratification of this treaty by our Senate the appropriation therefor must, under established practice, be initiated in the House. It will be difficult enough to get the \$25,000,000 appropriated for payment as specified in Article 2 as modified. It is not felt that Congress would appropriate the amount for lump payment, especially now that a wave of economical tendency follows the expenditures incident to great war.

With respect to the preferential treatment for Colombian Coal and Oil as to transportation through the Canal Zone as suggested by Colombian President in your No. 112 of August 8, 1919,<sup>30</sup> it is deemed to be inadvisable to make any change whatever in the modified treaty to cover such a condition. In short it is hoped that the treaty of 1914 may stand as modified.

In view, however, of the suggestion just referred to by the President of Colombia and of recent indications orally made by the Colombian Minister here to the effect that the Colombian people would be pleased to give preferential consideration to American capital in Colombian investments it was hoped that some such provision might be included in the proposed protocol to apply to Colombians and Americans when in partnership for the exploitation and development of Colombia. Unfortunately, a careful study of the situation fails to reveal just what Doctor Suarez might mean by preferential treatment and no method occurs to us for arranging in a practical way a workable agreement to cover such an undertaking which would not be objected to by other nations. Kindly interview President of Colombia and see if he has any pertinent suggestions to make.

This Government would be pleased to see its nationals play a leading part in the development of Colombia in whose future prosperity it has a deep and kindly interest. It doubts the efficacy of the method mentioned above but wishes to show a friendly consideration for what it understands to be the present aspirations of Colombia.

PHILLIPS

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<sup>30</sup> Not printed.

711.21/503 : Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, September 26, 1919, 10 a.m.

[Received September 30, 6.30 a.m.]

139. My 127, September 4, 3 p.m. President Suarez informed me yesterday that upon further consideration he believes that, with the exception of the modification of paragraph 1, the other changes in article 2 of the treaty of 1914 as already agreed upon and made public in the United States do not materially affect exemptions previously granted to Colombian salt, coal and petroleum; therefore the only alteration to which he now desires the Department's assent is that paragraph 1 of article 2 be allowed to remain as embodied in the original text of the treaty.

PHILIP

711.21/504 : Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, October 2, 1919, noon.

[Received October 3, 2.45 p.m.]

145. Confidential. In conversation with the Acting Minister for Foreign Affairs yesterday he said that he was then going to consult with the Senate and Chamber in secret session concerning relations with the United States and that his intention was to fully explain the attitude of this Government and that of the United States and to urge the adoption of measures which will definitely establish mutual confidence now. It appears that owing to the extremely violent opposition the Government has not yet felt able to broach the subject of the protocol to the Congress and the Minister said that the object of his conference was to prepare the way for that. He spoke again strongly of the fact that both article 13 of our treaty of 1846<sup>31</sup> as well as the Colombian Constitution are so generally considered here as providing for the rights of Americans that the present stipulation by our Government is deeply resented by the public as a slight upon the Nation and as an attempt to undermine its sovereignty and independence. Dr. Guzman assured me that he is personally most desirous of intimate relations with and the confidence of the United States and will do all in his power to encourage this.

While it is obvious that our present attitude in withholding the treaty until acceptable protocol is proposed by Colombia is being used by the opposition as a club with which to attack the Government, yet it is also a fact that action is generally regarded with a

<sup>31</sup> See Malloy, *Treaties*, vol. I, pp. 302 ff.

resentment which appears likely to bring into the opposition many of the adherents of this Government owing to its efforts to comply with our requirements. Should the Department deem it advisable to assist this Government in its dilemma and further facilitate an early solution of the existing misunderstanding and a settlement of the treaty question, I respectfully advise that a statement on the following lines be telegraphed here for immediate publication by the Colombian Government or by this Legation: "The Government of the United States or the Department of State having been advised by its representative at Bogota that there is evidently in certain circles in Colombia a tendency to impugn the motives of the United States in its relations with the Government of that Republic, takes this opportunity to state that it has only a deep and kindly interest in the future prosperity of Colombia and would wish to see its nationals take a leading part in the development of that country; that apart from this interest the Government of the United States, either in its representations or decisions relative to the treaty of April 6th, 1914, or in connection with any other matter pending between the two Governments, has no intention whatever of interfering in any way with the sovereign rights or the full independence of the Colombian Nation. The Government of the United States or the Department of State regrets that circumstances in Colombia seem to call for this statement of facts which it had confidently believed would be as obvious to the Colombian people in general as they must be to the government of republic." I believe that the publication of some such statement as this would have a very beneficial effect upon the situation and would disarm much of the unjust imputations against the United States now being indulged in by press of this country.

PHILIP

711.21/507: Telegram

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*The Minister in Colombia (Philip) to the Secretary of State*

Bogotá, October 3, 1919, 3 p.m.

[Received October 9, 4 p.m.]

146. Referring to my cable of October 2, noon. The Minister for Foreign Affairs visited me last evening and said that he had been in conference with the Senate for 5 hours until 8 o'clock with the result that a proposition presented by him after being somewhat altered in the course of the debate was voted on in open session and approved unanimously. The Minister said that he confidently hoped that this action by the Colombian Senate, which had the full approval of President Suarez, would have the effect of meeting the requirements of the Government of the United States and would render the sug-

gested protocol unnecessary. He further said that the action taken would undoubtedly react in a highly beneficial manner upon the excited public opinion in this country. I expressed disappointment that this definite step had been taken without previous reference to the Department and Dr. Guzman replied that the excitement and the suspicion of his Government's policy in Congress and among the public were such as rendered the course taken imperative. While the tone of this document, a translation of which follows, may give rise to criticism in the United States, yet the declaration embodied in the last paragraph is evidently intended as a concession to the attitude of our Senate and I would be glad to learn that it could be accepted as a guarantee of good faith by our Government to the extent of expediting action upon the treaty by the Senate. It seems to be generally thought here that this step taken by the Colombian Senate in conjunction with the Government has very greatly improved the situation for the latter.

Following is translation of Senate declaration date of the 3d instant:

"The Senate of the Republic has learned with surprise and with profound regret that it has been said in the Senate of the United States that Colombia must ratify the obligations contracted by her with the world, to always respect rights acquired by foreign citizens or subjects. The political constitution of the Nation as a civilized people guarantees these rights, our public law has always guaranteed them, and commercial and civil relations of the Colombian and the American peoples are regulated by the principles of international law and by the stipulations of the treaty of friendship, commerce and navigation of December 12th, 1846. Under article 13 of this pact both contracting parties agreed, 'to extend reciprocally their special protection to the persons and properties of each one of them,' and Colombia has been constantly loyal in her compliance with this and other stipulations, but an administration of the United States violated article 35 of this convention.

The treaty of April 6th 1914 was signed in order to make a partial reparation of the damages which Colombia has sustained and the President of the United States of America has addressed himself to the world relative to the justice [of] this reparation and again placed in relief the rights of Colombia.

The Senate of Republic of Colombia declares before the world the firmness with which the Nation maintains and will maintain, now and forever, for its honor, respect for the rights of all foreigners, a firmness with which it will always maintain its independence and sovereignty and with which it will uphold its rights."

PHILIP

711.21/507 : Telegram

*The Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, *October 13, 1919, 10 p.m.*

Your telegrams September 26, 10 a.m., September 26, 11 a.m., October 1, 10 a.m., October 2, noon, October 3, 3 p.m.<sup>32</sup>

Department is considering the advisability of transmitting in another telegram a note to be sent to Foreign Office to be made public in lieu of statement suggested in your October 2, noon. The situation here seems to be as follows:

(1) It appears to be the expectation of our Senate that an agreement along the lines of that transmitted in the Department's September [August?] 28, 6 p.m.<sup>33</sup> is the appropriate way to prevent future misunderstandings and this attitude is not maintained selfishly because Colombia will be the ultimate beneficiary as much as ourselves.

(2) With the signing of such an agreement, favorable action here probably could be obtained on the 1914 treaty modified as it stands in our Senate and to which modifications Colombia was understood to have agreed in February 1919. Our Senate prefers to make no other alterations. Exchange of ratifications of the modified treaty and the proposed new agreement should be simultaneous.

(3) It is the hope of the United States that the new proposed agreement with Colombia may be so reasonable in its nature as to admit of its serving as a basis for similar agreements with other countries which would welcome the development of their natural resources.

(4) The declaration of the Colombian Senate as reported in your October 3, 3 p.m., is not pleasing, as we understand it, insofar as it relates to the Colombian Senate's erroneous idea of what has been said in our Senate and their allusion to our alleged violation of Article 35 of Treaty of 1846. After considering the Colombian Senate's declaration it is felt by our Senate that such an agreement as is suggested in paragraph 1 of this telegram is the surest way to relieve Americans and Colombians of any future possible need to settle controversies concerning a question of sub-soil deposits.

(5) There seems to be no reason why the proposed agreement may not appear as an amplification of provisions of the Treaty of 1846, as suggested by Colombia.

Please await action until you receive Department's next telegram.

LANSING

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<sup>32</sup> Telegrams of Sept. 26, 11 a.m., and Oct. 1, 10 a.m., not printed.

<sup>33</sup> Not printed.

711.21/504 : Telegram

*The Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, *October 14, 1919, 8 p.m.*

Department is desirous to assist Colombian Government in its dilemma as suggested in your October 2, noon,<sup>34</sup> and also to make clear its position.

With this object in view you may send the following note (with such modifications of phraseology as you consider essential, but without changing its sense) to the Minister for Foreign Affairs with the indication that you see no objection to its being made public. "The Government of the United States has recently been advised that apparent lack of information regarding the matters under discussion threatens to hinder the consummation of certain agreements which it seemed desirable to conclude with the precise object of removing all misunderstandings that have existed in recent years, and of preventing, so far as possible, future misunderstandings.

As a matter of fact, the fundamental and underlying motive of the two Governments in concluding the treaty of 1914, and of their previous efforts along similar lines, was to perfect an agreement which would be satisfactory to the United States and Colombia and insure the good will of Colombia.

The accomplishment of anything less than this noble aspiration would not have been satisfying to the people of the United States, and presumably this is also true of the people of Colombia.

It appeared, during the summer of 1919, that favorable action by the American and Colombian Congresses upon the treaty of 1914 could be brought about if certain modifications were made therein. With this thought and on the theory that such action would promote cultural and commercial relations between the two countries, it was determined to make an effort to have the treaty brought into force. Before this could be accomplished the Colombian decree of June 20, 1919,<sup>35</sup> brought to the fore a question involving the future relations of both countries in respect of vested rights of American citizens in Colombia since the provisions of the decree seemed to threaten such American citizens with the loss of subsoil rights, acquired by them in accordance with the laws of Colombia. It is perhaps, fortunate that this question was raised, though apparently by inadvertence, for had the 1914 treaty been ratified on the theory that it was to remove any unfriendly feeling that might exist, and had such ratification been followed soon thereafter by Diplomatic consideration of the subsoil problem, bad faith on the part of Colombia might have

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<sup>34</sup> *Ante*, p. 748.

<sup>35</sup> *Post*, p. 765.

been alleged by the enemies of the treaty. Moreover it is believed that with the solution of this question all present differences will be cleared away and the basis be laid for the development of one of Colombia's greatest sources of wealth, in which it should be distinctly understood that the United States is seeking no exclusive or preferential treatment.

It would seem that a solution of the subsoil problem might easily be reached. It might be said, to state the case more plainly, that petroleum is to be found under both privately owned and national lands. A treaty setting forth how subsoil rights are owned would be one way of solving it. Such a document might state, among other things, that the ownership of private lands, acquired up to the time of the ratification of the agreement under contemplation, the titles to which did not expressly reserve subsoil rights, should be held to embrace the subsoil minerals, except metalliferous minerals, which from time immemorial have been reserved to the State. Thus a private owner of lands, under a legitimate title, could extract his oil at will and market it under the usual government regulations.

A very different situation exists with respect to national lands. The agreement, while recognizing the unquestionable right of the nation to legislate to suit its sovereign will with respect to such lands, might define, for the sake of expediency, or to induce foreign capital to help to develop Colombia, the conditions under which all persons might exploit the subsoil products lying under the national lands. These conditions might be couched in terms calculated to serve as an inducement to foreign capital, which is always timid."

LANSING

711.21/512 : Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, October 29, 1919, noon.

[Received November 2, 6.40 p.m.]

160. Referring to Department's October 13, 10 p.m. and October 14, 6 p.m.<sup>36</sup>

The treaty situation as I view it after careful consideration is briefly as follows:

Our Government, having obtained the consent of the Colombia[n] Government to extensive alterations in the text of treaty of 1914, has refused action on that pact until Colombia shall agree to a second treaty to guarantee the ownership of non-metalliferous subsoil deposits to American holders of real property in Colombia; the

<sup>36</sup> Latter telegram not printed.



Colombian Government is most anxious to see a settlement of the treaty of 1914 and wishes to meet the second requirement by our Government if that can be accomplished without incurring revolution as a result of such an effort upon the suspicions of an extraordinary sensitive population as well as upon those of its political opponents.

I am definitely assured that the President and a majority of the Cabinet as at present constituted are in favor of private ownership of subsoil rights to non-metalliferous deposits. However, I am authoritatively informed that a majority in Congress favors the contrary, or national ownership. The Chamber has completed its discussions of the petroleum law and is expected to vote and send it to Senate probably within a few days. The President, the Minister of Foreign Affairs, and others tell me they believe the law will be a very advantageous one for foreign interests. Two striking features it will embody are as follows: 1, the public oil lands will be acquired by contract and not by denomination [*denunciation*], and 2, owners of private lands who develop the subsoil deposits in their lands within twenty years after the legislation, will own such deposits in perpetuity; if such deposits are not developed within that time they will become the property of the nation. I beg an immediate consideration of the latter point by the Department with a view to early instructions [regarding] any change suggested, if such legislation is not in harmony with the Department's desires or views, as it might be possible for me to bring about some modification in the Senate respecting it. The evident aim of the Colombian Congress is to enact legislation which will encourage capital and at the same time force prompt development of resources, thus preventing the holding up of these for development in the remote future.

The most uncertain element as regards the petroleum situation is the nature of the decision which will be handed down by the Supreme Court relative to the constitutionality of the Executive decree of June 20 last.<sup>36</sup> If this opinion should favor nationalization, it seems to me the Department's attitude regarding an agreement would be untenable; if the decision declares the decree unconstitutional, as is expected, such an agreement as required might probably be obtainable, though the sentiment of the country is against it especially as a condition upon the treaty of 1914. It is not known when the Supreme Court's decision will be handed down, but presumably the proposed petroleum legislation will be equally applicable whether it is against or for nationalization.

During a recent talk with the President, he repeated that he believes the suggested agreement would be comparatively feasible if the

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<sup>36</sup> *Post*, p. 765.

treaty of 1914 were first ratified. But he is strongly in favor of an arrangement by means of an exchange of notes or declarations embodying an interpretation of the text of the treaty of 1846. This procedure he believes would be entirely binding and could be carried out now as it would not necessitate congressional action. The Minister for Foreign Affairs informed me that he received a cable from the Minister at Washington concerning proposed agreement but he did not enter into the details. . . .

The Colombian Government is in a very difficult position regarding the treaty negotiations with our Government and its embarrassment has been increased by the Roncador complication<sup>37</sup> which has inflamed public opinion here against the United States.

PHILIP

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711.21/507 Supp'l: Telegram

*The Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, October 30, 1919, 5 p.m.

Kindly advise effect produced by Department's October 13, 10 p.m. and October 14, 8 p.m. and indicate what action you think Colombia is likely to take with respect to new proposed subsoil agreement.

LANSING

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711.21/517

*The Minister in Colombia (Philip) to the Secretary of State*

No. 185

BOGOTÁ, October 31, 1919.

[Received November 24.]

SIR: I have the honor to refer to your cable instruction of October 14, 8 p. m. which embodied the substance of a note which I was authorized to address to the Colombian Minister for Foreign Affairs outlining the attitude of the Government of the United States in the matter of the Treaty of 1914 and the discussions concerning the subsoil problem now pending between the United States and Colombia.

On receipt of this instruction I prepared a memorandum which followed closely the text forwarded by the Department. This I enclosed with a short note to Doctor Guzman, the Acting Foreign Minister, dated the 21st instant, in which I stated that it embodied certain views entertained by the Government of the United States on the subject, the expression of which was given by the Department in the hope that they might be of some assistance to the Colombian Government at this juncture. I added that I saw no objection, from the point of view of my Government, to the publication of these views should the Colombian Government deem such a course expedient,

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<sup>37</sup> See pp. 795 ff.

etc. A copy of this note with its enclosure is enclosed herewith. On the 25th instant I had a conversation with the acting Foreign Minister and in the course of it enquired if the memorandum had met with the approval of his Government. He replied that it had and that he was desirous of submitting it to the Chamber of Deputies but that, owing to the very delicate situation now existing here his Government begged that I consent if possible to eliminate the words "treaty" and "agreement" where they occurred in my note and memorandum as these terms would be likely to precipitate a heated argument which might modify the good effect desired by the communication. I agreed to substitute terms such as "international understanding", "compact", etc. for those mentioned, otherwise leaving the text practically as furnished by the Department. These changes I judge were unimportant and did not alter the sense of the Department's communication.

Subsequently, I received a note in reply from the Acting Foreign Minister, dated the 28th instant, copy and translation of which I have the honor to transmit herewith. This note had evidently been carefully prepared with a view to immediate publication and, under the circumstances which call for great caution on the part of the Colombian Government in connection with public statements as to this discussion and in forestalling attacks by its opponents, I think the contents and general tone may not be found unsatisfactory by the Department.

The note states that the Foreign Minister understands from the context of the memorandum, and from previous conversations that the chief question now at issue is as follows: "to determine by means of a diplomatic document the principle to be observed in Colombia and in the United States with respect to the ownership of the subsoil, in relation to petroleum deposits, when the lands belong to citizens of either of the two countries through legitimate title acquired before the present date". It goes on to state that as the National Congress is now engaged in the discussion of a proposed law, and as the qualification of titles belongs to the judicial power, the Government, animated by an intense interest in reaching an early understanding, has transmitted the Legation's memorandum to the legislative bodies, and will publish it. The note further states that the Colombian Government does not cease to lament the fact that the matter of the ownership of the subsoil should be allowed to affect the conclusion of the Treaty of 1914, but that the Government also is convinced that a study of the subject in a spirit of equity and justice must bring about a solution satisfactory for the interests of the peoples of Colombia and the United States and for those of the civilized world.

Both the Legation's memorandum and the Foreign Office note were published yesterday.

For some time the press has been on the *qui vive* and has predicted the Government's intention of making some such announcement which all papers have hailed with relief as a means of throwing light upon a situation with the details of which the public has been uninformed.

The papers of Bogota have displayed a high degree of interest in the Legation's memorandum and all have published editorials regarding it. I have the honor to transmit herewith a number of press clippings<sup>38</sup> on this subject which I regret lack of clerical assistance has not permitted me to have translated. As was to be expected the press, which with two exceptions (*El Nuevo Tiempo* and *La Cronica*) is opposed to the Government, has brought every criticism which it could invent to bear upon the statement. Practically all papers represent the situation as exceedingly grave and the general theme is that the attitude of the United States has greatly endangered the safety of Colombia as a sovereign State and displays the imperialistic policy of the great Power of the North etc. The entire situation, including probable motives for hostile press criticism is so obscure for the moment that it is impossible to sum it up with any degree of certainty.

I am of the opinion that not too much importance should be attached to the generally critical attitude of the press. From excellent sources I understand that an excellent impression has been made on the public by the publication of the Legation's memorandum and that the majority of hostile criticism is the outcome of professional and interested politics. . . .

An interesting feature of the situation has been added by the publication yesterday of a statement signed by some of the most prominent business men and land owners in Bogota, members of the Agricultural Society, and which protests against certain features of the petroleum law which it is understood has now been approved by the Chamber of Deputies. The chief object of this protest is the decision to vest in the Nation those non-metalliferous deposits in private lands which have not been developed within the period of twenty years. This subject was mentioned in my cable message No. 160 of October 29, 12 noon. *El Espectador* has published an article denouncing the authors as enemies of the country etc.

I have [etc.]

HOFFMAN PHILIP

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<sup>38</sup> Not printed.

[Enclosure 1]

*The American Minister (Philip) to the Colombian Acting Minister  
for Foreign Affairs (Guzmán)*

No. 56

BOGOTÁ, *October 21, 1919.*

EXCELLENCY: Adverting to our previous conversations relative to the questions now pending between our Governments, I have the honor to enclose herewith a memorandum which embodies certain views entertained by the Government of the United States in connection with the advisability of consum[m]ating a mutual compact as to the vested property rights of our respective nationals in Colombia and in the United States.

These views have been expressed by my Government in the hope that they may be of some assistance to the Government of the Republic and in order to make its position clear in the matter.

I beg to state that I see no objection, from the standpoint of my own Government, to the publication of this memorandum should Your Excellency's Government deem such a course likely to promote a better understanding of the situation by the people of this country.

Accept [etc.]

HOFFMAN PHILIP

[Subenclosure]

## MEMORANDUM

It has recently been brought to the attention of the Government of the United States that an obvious lack of information concerning matter under discussion between it and the Government of Colombia threatens to hinder the consum[m]ation of certain agreements which it seemed expedient to conclude with the precise object of removing all misunderstandings that have existed between the two Governments in recent years and of preventing, in so far as is possible, future misunderstandings.

As a matter of fact, the fundamental and underlying motives of the two Governments in concluding the Treaty of April 6, 1914, and of their previous efforts along similar lines was to perfect an agreement which would be satisfactory to the United States and to Colombia, and which would insure the good will of the Colombian Republic.

The accomplishment of anything less than this noble aspiration would not have been satisfying to the people of the United States and, presumably, this is also true with regard to the people of Colombia. It appeared during the summer of 1919 that favorable action by the Congress of the United States and that of Colombia

upon the Treaty of 1914, could be brought about if certain modifications were made therein. With this thought and on the theory that such action would promote cultural and commercial relations between the two countries it was determined to make an effort to have the Treaty brought into force. Before this could be accomplished the Colombian Executive Decree of June 20, 1919,<sup>39</sup> brought to the fore a question involving future relations of both countries in respect of vested rights of American citizens, since the provisions of this Decree seemed to threaten such American citizens with the loss of subsoil rights acquired by them in accordance with the laws of the Republic of Colombia. It is, perhaps fortunate that this question was raised, though apparently through inadvertence, for had the Treaty of April 6, 1914, been ratified on the theory that it was to remove any unfriendly feeling that might exist, and had such ratification been followed soon thereafter by an enforced diplomatic consideration of the subsoil problem, bad faith on the part of Colombia might have been alleged by the enemies of the Treaty. Moreover, it is believed that with the solution of this question all differences will be cleared away and the basis be laid for the development of one of Colombia's greatest sources of wealth, in which it should be distinctly understood that the United States is seeking no exclusive or preferential treatment. It would seem that the solution of the subsoil problem might easily be reached. It can be said—to state the case plainly, that petroleum is to be found under both privately owned and national lands. An international understanding framed to set forth how subsoil rights are owned would be one way of solving the question. Such a document might properly state, among other things, that the ownership of private lands acquired up to the time of the ratification of the compact under contemplation, the titles to which did not expressly reserve subsoil rights, should be held to embrace the subsoil minerals, except metalliferous minerals which from time immemorial have been reserved to the State. Thus a private owner of lands under a legitimate title could extract his petroleum at will and market it under the usual governmental regulations.

A very different situation exists with respect to national lands. An arrangement of the kind here alluded to, while recognizing the unquestionable right of the Nation to legislate to suit its Sovereign will, with respect to such lands, might define, for the sake of expediency originated to induce foreign capital to assist in the development of Colombia, the conditions under which all persons

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<sup>39</sup> *Post*, p. 765.

might exploit the subsoil products lying under the National lands. These conditions might well be couched in terms calculated to serve as an encouragement to foreign capital which is always timid.

BOGOTÁ, *October 20, 1919.*

[Enclosure 2—Translation]

*The Colombian Acting Minister for Foreign Affairs (Guzmán) to  
the American Minister (Philip)*

BOGOTÁ, *October 28, 1919.*

SIR: I have the honor to refer to Your Excellency's note of the 21st instant, in which Your Excellency enclosed a memorandum containing certain opinions of the Government of the United States of America with reference to the convenience of arriving at a mutual international understanding regarding property rights acquired by our respective citizens (nationals) in Colombia and in the American Union; opinions which Your Excellency expresses in the name of Your Government in the hope that they may be useful to the Government of Colombia and to indicate clearly its point of view in the matter.

From the conversations which I have had with Your Excellency in the Palace of San Carlos relative to the questions today pending between our Governments, I understand from the context of the memorandum which Your Excellency has sent me that the question, which is the primordial object of it, reduces itself to the following: viz., to determine by means of a diplomatic document the principle which is to be observed in Colombia and in the United States of America with respect to the ownership of the subsoil, in relation to petroleum deposits, when the land should belong to citizens of either of the two countries through legitimate title acquired before the present date.

As the National Congress is actually occupied with this important matter in the discussion of a proposed law which is intended to regulate entirely the subject of hydrocarbons, and as the qualification of titles of ownership belongs to the Judicial Power, my Government, animated by an intense interest to soon reach a cordial understanding between the people of Colombia and those of the United States of America, has transmitted Your Excellency's memorandum to the honorable legislative Bodies, and, accepting Your Excellency's insinuation, will give publicity to said document. The Government, with the aid of public opinion as demanded by the temper of our political organization, hopes to soon arrive at a satisfactory solution of the matter.

The Colombian Government, however, does not cease to lament the fact that this affair of the ownership of the subsoil, which is a question that belongs as much in Colombia as in the American Union to the domain of the Courts of Justice and to the Legislative Power, should affect the definite conclusion of the Treaty of April 6, 1914,<sup>40</sup> but also cherishes the conviction that, studying the subject with an exalted spirit of equity and justice which should guide the Governments of Colombia and of the United States of America, there must be reached a solution satisfactory for the interests of the two peoples and for those of the civilization of the world.

Permit [etc.]

POMPONIO GUZMÁN

711.21/515 : Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, November 5, 1919, 5 p.m.

[Received November 7, 9.23 a.m.]

164. The Department's October 30, 5 p.m. was anticipated by my 160, October 29, noon, and my 161, October 31, 7 p.m.<sup>41</sup> The press here is using every opportunity to incite suspicion of and resentment against the United States in connection with the proposed agreement relative to subsoil rights and it is becoming increasingly obvious to me that this feeling is permeating the thinking to such an extent as to render it doubtful whether the Government would be able to negotiate such a pact under the existing circumstances. *El Tiempo* yesterday exhorted all parties to use their influence with their representatives to insure the definite renunciation of the proposition embodied in the Legation's memorandum of the 21st [20th?] ultimo which it terms a document of slavery. The current expressions of opinion are to the effect that the attitude of the United States as regards petroleum lands is remote from and derogative to the national independence and laws. The fact that the approval of the treaty of 1914 is made conditional upon the outcome of this attitude is deeply resented in all quarters I think. The outlook at present is discouraging and, apart from the justice of the case, I can see no advantages to be derived from the position we have taken which could not have been procured with better results through a settlement of the treaty as originally proposed. American business men are complaining to me that their operations are greatly prejudiced by the situation which is such that the Government actually expresses itself unable to make important business contracts with

<sup>40</sup> *Foreign Relations*, 1914, p. 163.

<sup>41</sup> The latter not printed; it summarized the despatch of Oct. 31 and enclosures, *supra*.



Americans at this juncture on account of the anti-American feeling caused by our attitude in the treaty and petroleum matters.

The project of the petroleum law has now been sent to the Senate by the Chamber. The American representative of an American company holding extensive lands told me yesterday that he believes the law as now framed exempts those lands the titles to which antedate October 28th 1874 from the forfeiture of subsoil deposits not developed within twenty years, mentioned in my October 29, noon.<sup>42</sup> However, this is not positive in my opinion.

PHILIP

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711.21/514 : Telegram

*The Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, November 8, 1919, noon.

Your October 29, noon,<sup>42</sup> October 31, 7 p.m.<sup>43</sup> November 5, 5 p.m.

After a conference with the Senate, it is evident that there is little chance of ratification of treaty here in the absence of an agreement regarding the subsoil question. No Colombian legislation will take place of such an agreement between Colombia and the United States.

The Department would be glad to be informed more fully, however, regarding the meaning of that portion of proposed Colombian legislation which states that if owner[s] of private lands will develop the subsoil deposits in their lands within twenty years after the legislation they will own such deposits in perpetuity.

LANSING

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711.21/515 : Telegram

*The Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, November 21, 1919, 3 p.m.

Department's Nov. 8 noon in which reference was made to your October 29 noon. . . .

In conference with the Colombian Minister today he explained that it was naturally not easy for the Colombian Congress to approve of the Colombian's Government entering into the new proposed subsoil agreement which would make it impossible for the Colombian Congress to legislate in the matter, but that in his opinion the pending law which the Colombian Congress plans to pass is to safeguard private interests already acquired. Once this is done it would appear that Colombian Government might enter into agreement which would safeguard oil rights to be acquired in

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<sup>42</sup> *Ante*, p. 753.

<sup>43</sup> Not printed.

the future and during the life of the agreement render it difficult for a succeeding Colombian Congress to repeal or change the law so that it would become confiscatory in character.

Please report on the progress of legislation now in process of formation in the Colombian Senate and cable text of vital portions. Until fully advised, the Department is not in a position to comment on the acquisition of private and public oil lands by contract rather than by denouncement. Inform Department whether oil operators on the ground regard acquisition by contract as nationalization, if not, explain difference between contract and denouncement. Is Department correct in assuming that your reference to ownership in perpetuity of petroleum deposits under privately owned lands, should their sub-soil deposits be developed within twenty years, refers to private lands acquired after passage of the pending law?

Our Senate's insistence, as stated before, is to safeguard vested rights already acquired. Our Government would be pleased to have Colombia enter into a new sub-soil agreement favorable to foreign investors which will be applicable to private and public lands to be acquired in future. If Colombia could be made to understand the enormous advantage to her future development of having such an agreement to define in advance the treatment the foreign investor would receive she would welcome such an agreement because it would mean the probable production of vast wealth to the benefit of Colombia and her people.

LANSING

#### PETROLEUM LEGISLATION

Executive Decree No. 1255 bis, of June 20, 1919—Executive Resolution of July 22 Suspending the Decree—Objections of the United States to the Decree—Decision of the Colombian Supreme Court Holding Certain Articles of the Decree Unconstitutional—Executive Decree No. 2251, of November 26, Annuling Decree No. 1255 bis—Enactment by the Colombian Congress of Petroleum Law, No. 120, Approved December 30

821.6363/51

*The Minister in Colombia (Philip) to the Acting Secretary of State*

No. 95

BOGOTÁ, June 28, 1919.

[Received July 21.]

SIR: With reference to the Department's unnumbered instruction of the 14th ultimo,<sup>44</sup> relative to the contemplated exploring expedition of the Richmond Levering Company,<sup>45</sup> and to my cable message No. 90 of June 26: 11 a.m.,<sup>44</sup> I have the honor to transmit herewith

<sup>44</sup> Not printed.

<sup>45</sup> Of New York City.

copy and translation of a Presidential Decree, dated the 20th instant, which is framed to regulate the exploration of petroleum bearing lands in Colombia and to provide for the compilation of official statistics bearing upon the development of such lands.

As reported to the Department in the above cable message, this Decree makes an important affirmation to the effect that the sub-soil mining rights to all petroleum bearing lands in Colombia are vested in the Government only. This statement would appear to settle a question as to the relative claims of the Government and of private concessionists which has been a subject of controversy for many years past.

Prior to the above Decree, the attitude of the Government in this matter has not been very clear. It has been thought to incline to the right of governmental ownership of all sub-soil mining rights (including petroleum) and, though opinion does not seem to have been certain as to the stand to be taken, to base its attitude upon the following precedents: (1) That by virtue of Spanish laws, and especially the laws of the Indies, the ownership of the sub-soil and consequently the mines therein belonged, during the Colonial period, to the Spanish Crown, whose rights subsequently passed to the Republic when independence was gained. (2) The Decree of Simon Bolivar (the "Liberator"), dated October 24, 1829, which stated in part: "Mines of every class belong to the Republic which grants title of ownership to citizens who solicit them under certain conditions defined in the laws and ordinances on mines." (3) Law 106 of 1873 which states that: "Coal, iron and petroleum mines, etc. discovered or which may be discovered in unappropriated lands and in those which may have been adjudicated after October 23, 1874, are the fiscal property of the State." (4) Law 30 of 1903, which was formulated in order to clarify the question of oil rights, and which contains the following clause: "The dispositions of the Fiscal Code referring to coal mines will apply also to those of petroleum or mineral oil of any grade or class, natural gas, and to any other products of the same or analogous nature." (5) Report submitted to Minister of Public Works by the Council of State July 23, 1918, which sets forth the following conclusions:

1. That the reserve of all classes of mines in favor of the Republic dates from the year 1829, by reason of the Decree of October 24th, signed at Quito by the Liberator, Simon Bolivar.

2. That Article 1126,<sup>47</sup> in agreement with article[s] 1116 and 1117 of the Fiscal Code of 1874, decreed the same reserve of all mines not expressly classified by the law, and which might be found in unappropriated lands, or which by some other title might belong to the Nation.

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<sup>47</sup> Of the Fiscal Code of 1873.

3. That Law 30 of 1903 defined with respect to mines of petroleum, asphalt, natural gas and other hydrocarburate products what was indefinite in Article 1126 of the Fiscal Code then in force.

I beg here to mention that I am indebted for the above data and translations to the report of Captain J. P. W. Crawford, Military Attaché, No. 50 of March 27th last to the War Department.

The final decision of the Colombian Government as to this matter of its claim to sub-soil rights to all petroleum bearing lands is of great moment to a number of American interests (notably the Tropical Oil Company), and owing to the fact that the question has been submitted to the Colombian Congress during the last two sessions without a decision having been arrived at, it has been the cause of great uncertainty and anxiety to those interested.

I understand that the representatives of American oil interests which have acquired extensive tracts of oil lands from private owners, claim concessions based upon their absolute ownership of mining rights to such lands, the titles to which are dated prior to October 23, 1874 (see above (3) Law 106 of 1873). They also argue that the Bolivar Decree of 1829 made no mention of petroleum etc.

Presumably this question will be presented for final settlement to the next Congress, at which time it is probable that legislation will be enacted to fix the percentage of tax to be levied by the Government upon oil production by concessionaires etc.

I beg here to mention that Dr. Suarez has assured me that the Government only seeks to arrive at a just and fair basis of taxation.

It remains to be seen whether the Colombian Government with its extravagant idea of the value of the petroleum deposits in the country, will carry out this intention and thus avoid discouraging interests which would prove of great benefit in developing its resources.

I have [etc.]

HOFFMAN PHILIP

[Enclosure—Translation]

*Executive Decree No. 1255 bis, June 20, 1919, Regulating the  
Exploration of Petroleum Lands*

THE PRESIDENT OF THE REPUBLIC

in use of the prerogative conferred upon him by clause No. 3 of Article 120 of the Constitution, and

CONSIDERING

1. That by decree of the Liberator, signed in Quito the 24th of October, 1829, it was declared that all kinds of mining properties

existing in the territory of the Republic belong to the latter in fee simple, as has been so recognized by the Council of State in an opinion rendered July 24, 1918;

2. That Article 1126 of the National Fiscal Code of 1873 is to the same effect as the above mentioned Decree of 1829;

3. That the National Constitution of 1886, in incision [*paragraph*] No. 1 of Article 202, says also that the properties which formerly belonged to the Colombian Union now belong to the Republic;

4. That Law 38 of 1887, by which the Mining Code of the formerly sovereign State of Antioquia was adopted, ordained in Article 5 that, whenever the mining property belonged to the owner of the soil, up to September 7, 1886, in which year the Constitution took effect, each owner would have for a period of one year, counting from the date of said law, a preferential right to seek, examine and file claim to the mining properties of his hereditament and that at the end of the year the mining properties remaining in those hereditaments can be filed upon by any one, as is the case with all other properties of like nature, in conformity with the law, with the limitations therein established and those established in former laws;

5. That the Government has knowledge that exploration parties, as much national as foreign, are making plans for the exploration of petroleum deposits, commencing with that end in view some preliminary works of exploration, and even engaging in works of prospecting, sounding and perforation, which they still carry forward without having advised the Government, which is interested in knowing the result of those studies, the zone in which they are conducted, the nationality of the explorers and the result of the investigation;

6. That in conformity with the stipulations of Law 63 of 1914 relative to national statistics (Article 5), all the industrial undertakings or establishments of individuals or companies resident or domiciled in the Republic are obliged to render to the Government the data of general interest in regard to these industries which may be called for;

7. That by Decree No. 1320, of November 28, 1914, the Executive Power decided that statistics in regard to mining properties should be compiled, and determined the manner in which this should be done;

8. That the petroleum industry presents for the country the most alluring prospects, and that considering, moreover, its nature and the special circumstances under which it is customarily developed, it is important for the Government, as the representative of the rights and interests of the Nation, to be informed as to the progres-

sive development of that industry, the petroleum zones that may be discovered and in which works of greater or less magnitude may have been commenced,

DECREES :

**ARTICLE 1.** In order to carry on explorations of any kind and on any scale, in lands that may be or may not be the property of the Nation, in search or in a localization of sources or deposits of petroleum, a permit from the Government must first be obtained.

**ARTICLE 2.** All undertakings of individuals or companies, which are occupied definitely or transitorily, and in any section, in making studies of petroleum properties, such as prospectings, soundings and perforations, on any scale, will be required to comply with the following obligations :

a) To advise the Government, through the Ministry of Public Works, as to the works that are being initiated, and if they have already been initiated, to report on the result of the explorations, indicating the number of soundings or perforations made, the profundity of the wells and the results obtained.

b) They will also be required to remit to the Ministry of Public Works, accompanied by their report and duly authenticated, labeled samples of the petroleum which they have extracted, and a topographical sketch of the zone or region explored.

c) If the explorations were effected on private property, this circumstance should be so stated and, moreover, the original title to such lands should be indicated and stating whether they were at any time unappropriated and, if so, the date of their cession by the Government.

**ARTICLE 3.** The permit for exploring petroleum properties, referred to in Article 1, will be granted by the Ministry of Public Works whenever deemed convenient by it; and the granting of this permit, or the fact that explorations have been made, will not be construed as involving a license, or expectation of a license, on the part of those who have carried on the work.

**ARTICLE 4.** The explorers who, to the satisfaction of the Government, verify the exploration of the zone which may be conceded to them, complying with all the conditions imposed by said permit, will have, dating from the expiration of said permit, a period of six months for proposing to the Government a contract for making exploitations in accordance with the laws relating to this matter.

**ARTICLE 5.** The permit to which Article 3 refers will be granted under the following conditions, besides any others which, in each case, may be judged necessary :

1a. The period of the permit will be for one year, without renewal rights, commencing with the date of its issue.

2a. The extension of the zones of exploration will be limited, in each case, according to the circumstances of the region in which they are located, such as their easy or difficult access and penetration, their proximity to the coasts or their situation in deserted territories, or in lands more or less explored from the point of view of petroleum resources. The extension will be from 10,000 to 30,000 hectares, which the Ministry will graduate in accordance with the importance of the region and express circumstances, reducing or amplifying said extension according to the greater or less facilities for exploration and the probabilities of good results, respectively.

3a. Only the party to whom the permit has been granted can explore the zone comprehended by it. The permit cannot be transferred, in any manner, to another natural or juridical person.

4a. The concessionaire will make a monthly report to the Government on the state and progress of the exploration.

5a. He will also report immediately on the discovery of outcroppings or sources of petroleum.

6a. When excavations, drillings or perforations are made on any scale and they do not furnish petroleum in commercial quantities, they will be duly plugged.

ARTICLE 6. The explorer or explorers of petroleum properties will present to the Mayor of the town where the exploration is being carried on the permit granted by the Government.

ARTICLE 7. Whenever explorers of mining properties present themselves the Mayor will require of them the turning over of the permit, without which the exploration will not be permitted.

ARTICLE 8. The Prefects and Mayors will report to the Ministry of Public Works, through the respective department of the Government, as to the works of exploration and exploitation of petroleum lands which are being carried on within their jurisdiction and will also state as to the permits which have been presented to them.

ARTICLE 9. The Governors, Prefects, Mayors and Notaries throughout all the Republic will also proceed to advise the Government, in the briefest time possible, as to the negotiations which, in the territories of their jurisdiction, have been effected for the exploration, exploitation, rent or sale of petroleum lands, whoever may be the owner of the soil.

ARTICLE 10. The Government will be able, whenever it deems advisable, to verify the data which has been furnished it relative to the exploration and exploitation of petroleum properties by means of the Geological Commission, created under Law 83 of 1916, or by any other means it may consider convenient.

ARTICLE 11. The obligation imposed by Decree 1320 of 1914 of compiling statistics in regard to gold, silver and platinum mines is extended to petroleum properties.

ARTICLE 12. The new labors which may be involved under this Decree will fall to the lot of the National Department of Mines of the Ministry of Public Works, which will undergo a reorganization, if required by circumstances.

Let it be communicated and published.

Given in Bogotá, the 20th of June, 1919.

MARCO FIDEL SUAREZ

*The Minister of Public Works,*

CARMELO ARANGO

821.6363/62

*The Minister in Colombia (Philip) to the Secretary of State*

No. 107

BOGOTÁ, July 30, 1919.

[Received August 25.]

SIR: Adverting to previous correspondence relative to pending petroleum legislation in Colombia and, particularly, to my cable messages of July 26: 10 a.m. and July 29: 3 p.m.,<sup>48</sup> I have the honor to transmit herewith copy and translation of an Executive Resolution, dated the 22nd instant, by which the provisions of the Presidential Decree of June 20th last regulating the exploration of public and private lands for petroleum are suspended.

This Resolution, which has been but lately published, states that various requests for exploration permits have been made of the Ministry of Public Works in accordance with the Decree of June 20th., but have not as yet been acted upon; that, as the granting of such permits would create difficulties in the matter of definite legislation on the subject, it would therefore be prudent to await such legislation by the present Congress; therefore the President of the Republic has resolved to suspend consideration of these requests and of such as may be made in future, pending the necessary legislation by the Congress.

I think it is doubtful that the Government has adopted this action as a result of numerous requests for exploration permits having been received, the necessity for such permits not having been apparent up to the present, and I am of the opinion that the Resolution has been decided upon as a means of modifying the Government's attitude as defined by the Decree of June 20th., the purpose of which was probably to precipitate discussion of and legislation upon the petroleum question by the Congress now in session.

Private and press opinion on the subject seems to be varied and the question of Government ownership of sub-soil rights in all petro-

<sup>48</sup> Neither printed.



leum-bearing lands is much discussed and bids fair to become one of the most important issues of the near future in Colombian politics.

As of possible interest to the Department, I have the honor to transmit herewith copy and translation of an article which appeared in *El Tiempo* on the 29th instant.<sup>49</sup> In this the writer discusses the above Presidential Decree and seeks to demonstrate that the ground taken by the Government as regards governmental ownership of petroleum sub-soil rights is unconstitutional. He deduces that it is only since the year 1903 that the Nation has reserved its rights to petroleum deposits, and to those only which are located in lands which belong to the Nation.

I have [etc.]

HOFFMAN PHILIP

[Enclosure—Translation]

*Executive Resolution, July 22, 1919, Suspending Consideration of Requests for Permits to Explore Petroleum Zones*

The President of the Republic of Colombia, in use of his legal faculties and considering:

1. That in conformity with Executive Decree No. 1255 *bis*, of June 20th last, by which the exploration of petroleum lands is regulated, various requests have been made to the Ministry of Public Works for permits to explore the sub-soil of unappropriated lands and of other lands, requests which until now have not been acted upon;

2. That at present the Legislative Congress of Colombia is in sessions, which is the supreme legislative entity and whose laws relative to an affair of such importance it would be prudent to await; and

3. That the permits which might be granted to-day would create difficulties in the way of legislating freely about the matter, resolves:

To suspend the consideration of the requests already made and of those that may be made in the future relative to the exploration of petroleum mines in unappropriated lands and on private property, while the National Congress legislates in regard to the matter during its present sessions.

To be published.

Given in Bogotá, July 22, 1919.

MARCO FIDEL SUÁREZ

*The Minister of Public Works,*  
CARMELO ARANGO

<sup>49</sup> Not printed.

821.6363/58 : Telegram

*The Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, August 13, 1919, 4 p.m.

Confidential. Department's August 9, 5 p.m.<sup>50</sup>

American Senate feared that Mexico would be heartened by Colombia's attitude and would be more persistent in forcing her plan of nationalization of oil lands on the ground that it was justifiable as proven by Colombia's action. That this belief has foundation is shown by a telegram from American Embassy, Mexico City, which states: "Local press today features Associated Press report that Colombia has declared petroleum producing lands the property of the Government." If Colombia enforces nationalization we must expect other Latin American countries to follow suit and this should be averted.

LANSING

821.6363/59 : Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, August 14, 1919, noon.

[Received August 18, 3.46 a.m.]

113. Last sentence of my August 13, 10 a.m.<sup>51</sup> It is definitely announced in the press today that the publication of the Petroleum Decree, dated 12th instant, was unauthorized and that the decree of June 20th which was suspended by executive resolution of July 22nd, has not been revoked.

Minister for Foreign Affairs [intimated] this to me yesterday afternoon saying that although publication of the revocation had been under consideration it had not been authorized by the Government.

PHILIP

711.21/482 : Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, August 18, 1919, 10 a.m.

[Received August 20, 12.40 a.m.]

116. Confidential. The situation arising from the Senate's action upon the treaty seems to have improved somewhat. The serious press now counsels patience and restraint. A meeting of students on the 16th instant sent a deputation to the Foreign Office to ask that the law of 1914, approving the treaty, be repealed but no other demonstrations have taken place. Yesterday I had a short talk with

<sup>50</sup> *Ante*, p. 737.<sup>51</sup> *Ante*, p. 738.

the President who had been away for two days. He agrees that it will be possible to enter into an undertaking to provide for the protection of American property rights, et cetera, but is exceedingly averse to its embodiment in the treaty proper and suggested a separate protocol to be signed at the same time as the [treaty?]. He said that previously it had been determined to revoke the petroleum decree of June 20th but that the news from Washington rendered a withdrawal of the revocation necessary [*unnecessary?*] though he thinks this may be done later.

Department's August 13, 4 p.m. has been received and enlightens me to the extent that I conclude from it that the Department is opposed to the nationalization by Colombia of subsoil rights in petroleum lands. This Government certainly favors such a measure as a means of creating revenue and as the best means of guarding the future interests of the State in what is thought may prove one of its most important industries but I have confidence no tendency to radical or anti-foreign legislation regarding petroleum for the opposition to the plan is very strong. These people are trying to make a petroleum law which will fully protect their interests and at the same time encourage American investment and development. They seem to be very ignorant as to the best legislation for the purpose and I believe would be susceptible to advisory suggestions. Should the Department contemplate such an important attitude toward the pending Colombian legislation as I infer from its instruction above mentioned, it is highly important that I be furnished with its full confidential views and with immediate suggestions as to alternative legislation and other pertinent matters which will enable me confidentially to advise here in the most effective manner. Relative to the entire question as brought up by your August 9, 5 p.m.<sup>52</sup> the President and Government appear desirous of complying with the wishes of the Government of the United States if this can be done without humiliation or loss of prestige.

PHILIP

711.21/481: Telegram

*The Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, August 21, 1919, 5 p.m.

Your August 12, 11 A.M.<sup>53</sup> August 13, 10 A.M.<sup>54</sup> and August 15, 10 A.M. [*p.m.*]<sup>55</sup>

In order that you may understand present position of treaty you are advised as follows. The Senate was not disposed to consent to

<sup>53</sup> *Ante*, p. 737.

<sup>55</sup> Not printed.

<sup>54</sup> *Ante*, p. 738.

<sup>55</sup> *Ante*, p. 739.

ratification of Thomson-Urrutia treaty as originally written, but, as you were informally advised before leaving for Colombia, it was probable that favorable action could be had if treaty were modified.

One of the most serious international questions that ever confronted this Government has arisen in recent years through the disposition on the part of Mexico to nationalize petroleum deposits. Mexico's tendency in this direction was first evidenced in a relatively unimportant manner during 1914. With the passage of time this tendency seems to have crystallized into policy, and the complications growing out of Mexico's policy not only threaten the confiscation of vested rights in oil properties but also include the essential principles upon which amicable international relations are founded.

Colombia herself has injected this question of subsoil rights into the international affairs of her country and our own, at the moment when the treaty seemed about to receive favorable consideration here. The recent receipt of the Colombian decree of June 20th, and of the petroleum reports of prominent Colombian officials, which were made after studies in Mexico, and the accumulation of other evidence along this line appear to indicate Colombia's disposition to enact legislation relating to subsoil rights, which would not only affect injuriously American rights in Colombia but would if overlooked and allowed to pass unchallenged probably establish a precedent embarrassing to this Government in relation to similar matters in Mexico and possibly other countries.

The Mexican Congress after long agitation, is now contemplating some final legislation relating to subsoil rights. In these circumstances it is but natural that this Government should look with grave concern upon an effort by Colombia or any other Latin-American country to adopt a nationalization policy, injurious to American citizens, similar to that now being attempted by Mexico, against the retroactive application of which our Government has repeatedly protested. The disposition of the Senate Committee therefore was to make its position clear, not offensively so, but with sufficient definiteness to remove the slightest doubt as to such position. Hence the Department's telegram of August 9, 5 p.m.<sup>56</sup>

There has never been a time when the present treaty was looked upon by Senate with marked approval. An effort to obtain Senate's consent to ratify the treaty as your August 15, 10 p.m.<sup>57</sup> suggests, would probably fail, and it seems important therefore to avoid carefully the taking of any steps that might produce strained relations between Colombia and the United States.

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<sup>56</sup> *Ante*, p. 737.

<sup>57</sup> *Ante*, p. 739.

The Department awaits the draft of the amendment or protocol to which Colombia might agree and when received will study it and then express an opinion as to the feasibility of entering into a separate agreement or protocol to be signed at the same time as the treaty.

The Sub-Committee of the Senate's Foreign Relations Committee has revised the first draft of its proposed amendment which stands as cabled in Department's August 9, 5 p.m., with the following addition. "Except that the laws of metalliferous mining reservations are affirmatively recognized."

LANSING

711.21/488: Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, August 29, 1919, 10 a.m.

[Received August 31, 12.45 a.m.]

104 [122?]. Confidential. Department's Aug. 21, 5 p.m. It is important that I be furnished with more complete information about the Department's attitude [and?] opinion relative to the pending petroleum legislation in Colombia. I am assured by the President and other officials that all legitimately acquired rights will be respected. I judge that the law now being studied by the Congress will regulate the exploitation petroleum on lands which are the property of the Nation only, thus leaving aside the question of subsoil rights in privately owned lands. It seems to be generally taken for granted here that the Nation possesses and will claim the petroleum subsoil rights in lands belonging to it. Am I to understand that the Department would be opposed to a law based upon such a decision? As to private lands now owned by foreigners and Colombians there seems to be at this time no likelihood of the Government attempting to claim subsoil rights to the petroleum deposits therein nor does it seem probable that such an hypothesis could be substantiated by the Government if advanced.

The press announces that contract between the Government and the Tropical Oil Company was signed on the 25th instant. This involves transfer of petroleum concession on Government lands, formerly granted to De Mares, a Colombian citizen. The Government leases rights of oil exploitation to Tropical Company for thirty years for the equivalent of 10 per cent of the gross production. Contract stipulates that company acquires no true rights to petroleum or to subsoil or soil, only exploitation rights, and that it submits

itself to articles 42 and 43 of the Fiscal Code, which involve agreement not to submit any claims through diplomatic channels save in case of denial of justice, et cetera.

PHILIP

821.6363/64 : Telegram

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*The Minister in Colombia (Philip) to the Secretary of State*

Bogotá, September 5, 1919, 7 p.m.

[Received September 9, 1.25 p.m.]

128. In discussing pending petroleum legislation with Doctor Suarez he stated that practically all the countries of the world except Rumania and Russia claimed national subsoil ownership of petroleum deposits, et cetera. I remarked that he overlooked the United States. The President believes that certain of our States maintain such rights in oil and other mining lands. He said that if this is not the case and that no such rights are in force in the United States this fact might have an important bearing on the present discussions here, particularly in view of the necessities of reciprocity between the two countries et cetera.

I request a definite statement from the Department, at its earliest convenience, both as to the uniformity of our national and state laws in the matter of petroleum rights and as to any arguments in favor of private ownership of subsoil rights here which it might judge advisable to impress upon the Colombian Government.

PHILIP

821.6363/65 : Telegram

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*The Minister in Colombia (Philip) to the Secretary of State*

Bogotá, September 12, 1919, 10 a.m.

[Received September 13, 12.15 a.m.]

129. The press here has published an opinion which has been handed down by Doctor Rodriguez Diego, Colombian Attorney General, impugning the constitutionality of the Executive decree of June 20 last concerning petroleum lands. The final clause of the opinion translates as follows: "The first seven articles of the decree denounced limit the right of individuals to own petroleum properties which have been acquired in conformity with the legislation of certain sovereign States for example, of Antioquia, Bolivar and Cauca or through the National Government under the terms of article 112 of the Fiscal Code of 1912 which requires the proprietors to comply with certain formalities upon the basis that all petroleum mines in the territory of the Republic are of its patrimony, those first seven

articles of the decree number 1255b are at variance with articles 31 and 202 of the National Constitution and with article 58 of legislative act number 3 of 1910. In view of the above I take the liberty of asking you to declare unacceptable the first seven articles of the decree which has been denounced.[<sup>58</sup>"]

In conversation with the Minister for Foreign Affairs yesterday he said he believes this opinion will have great weight with the Supreme Court to which it is addressed, which court is now studying the question preparatory to finding its decision as a result of the denouncement of the decree by Doctor Rodriguez Pineres reported in my despatch number 120 of August 23.<sup>58</sup>

PHILIP

821.6363/64 : Telegram

*The Acting Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, September 16, 1919, 6 p.m.

Your 104 [<sup>122?</sup>], August 21, 5 p.m. [<sup>29, 10 a.m.?</sup>], and 128, September 5, 7 p.m.

Following for use in connection with petroleum agreement with Colombia:

In all States of the United States, petroleum deposits under lands owned outright by private individuals belong to the owner of the surface. Owner cannot be deprived of subsoil petroleum rights without just compensation. Petroleum deposits under lands owned by State or Federal Government belong to State or Federal Government as owner but not by virtue of sovereignty. State or Federal Government may and does lease petroleum rights to private individuals and may convey surface reserving petroleum rights.

Mineral deposits in general in land owned in fee [simple] by private individuals in all States belong to owner. Only exception is in case of gold and silver deposits in New York and Michigan, and perhaps few other States where regalian rights are asserted by State in limited form. At common law, such metalliferous deposits, though on lands of private individuals, belong to the Crown. Vested rights in private owners in these States it is believed, as to gold and silver deposits, would, in general, be protected. Other States and Federal Government do not make such claim to any minerals found in lands of private owners. Where lands are owned by State or Federal Government, mineral rights belong to State or Federal Government as owner which may lease rights or convey land reserving mineral rights.

Bring this statement of the law of the United States to the attention of Colombian authorities, and point out that, under the reciprocity of the proposed agreement for the protection of vested

<sup>58</sup> Not printed.

rights, the title of Colombians to petroleum deposits and mineral deposits in general in United States would be protected.

In view foregoing, Department naturally would not be opposed to Colombian law based on claim to Government ownership of sub-soil deposits in lands belonging to Nation.

PHILLIPS

821.6363/70 : Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, October 2, 1919, 10 a.m.

[Received October 3, 12.15 p.m.]

144. A telegram from Dr. Davila Florez, dated Cartagena September 20th and addressed to the President of the Colombian Chamber, was read into the minutes of that body on the 30th instant. The telegram is to the effect that our Congress has passed law confirming previous mining legislation which permits the leasing of oil lands to corporations and private individuals but to the absolute exclusion of foreigners who cannot even be stockholders in the leasing companies. This report has added to the adverse criticism of our attitude in the treaty matter and the acting Minister for Foreign Affairs has inquired of me respecting it. I presume that it is incorrect in view of the contents of the last paragraph but one of the Departments September 16, 6 p.m. but respectfully beg information which will permit me to make authoritative statement.

PHILIP

821.6363/70 : Telegram

*The Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, October 10, 1919, 5 p.m.

Your 144, October 2, 10 A.M.

Congress has recently passed no act on subject mentioned. However, there was recently passed in the Senate a bill, now pending before the House of Representatives, which permits corporations with alien stock holders to own any interest in a lease of non-metalliferous subsoil deposits in what we call public and Colombia designates as national lands, provided that lease shall contain provision that this Government may take over and operate leased properties, paying compensation, or acquire at the market price the products thereof, or require the sale for consumption in the United States of such products.

Privately owned lands are not in anywise affected by the proposed legislation, and there is no restriction of law upon the disposition of non-metalliferous subsoil deposits on such lands.



More precise information will be supplied as soon as the House acts in the premises, but there would seem to be little likelihood that provisions referred to will be changed.

LANSING

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821.6363/82 : Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, November 12, 1919, 10 a.m.

[Received November 14, 11.35 p.m.]

*La Cronica*, the only paper here which has abstained from very severe criticism of our attitude in the petroleum question, made the statement some days ago that it did not believe the United States would make a similar proposal for an agreement to guarantee acquired subsoil rights to any of the great powers. It likewise challenged this Legation to cite the existence of any analogous pact between the United States and any other country. I respectfully request information as to whether any such agreement has been consummated in the past.

PHILIP

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821.6363/83 : Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, November 20, 1919, 10 a.m.

[Received November 23, 6.50 p.m.]

174. In view of the instructions embodied in your November 8, noon,<sup>59</sup> I have informed the Acting Minister for Foreign Affairs that I am not in a position to offer any suggestion concerning the petroleum legislation now pending in the Senate.

With regard to the legislation projected by the House of Representatives that subsoil deposits in private lands which may not have been developed within a period of 20 years after the enactment of the legislation shall be forfeited to the Nation, the Senate probably will modify the law in this and other respects. The Foreign Minister informs me that the Government and himself are endeavoring to bring about the elimination of this provision so that there will be no condition whatever upon the ownership of deposits in these lands. However, he does not consider this provision as tantamount to nationalization but as a means of intense development of the resources, such development guaranteeing to the owner of the land permanent ownership of the deposits. He said that there is a disposition in the Senate to extend this development from 20 to perhaps

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<sup>59</sup> *Ante*, p. 762.

50 years. The Minister further added that he is at a loss to understand how his Government could enter into an agreement as required by our Senate before the Colombian Congress has enacted a law to govern the question of petroleum lands and production.

I am informed that the Supreme Court has completed the drafts of its decision as to the validity of the Executive decree of June 20th last, and that it will declare the decree to be annulled. Publication of this decision is expected shortly.

PHILIP

821.6363/85 : Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, November 22, 1919, 11 a.m.

[Received November 26, 11.32 a.m.]

176. Last evening the Supreme Court handed down its decision relative to the decree of June 20th last. This decision declares the articles 3, 4 and 5 of the decree unconstitutional and that the Government had not the authority to concede to third parties the right to explore petroleum mines in lands belonging to private individuals, to enter into contracts relative to those mines with third parties or to limit in any way the right of the private owner to develop the mines situated in his lands.

My November 14, 10 a.m.<sup>60</sup> I am informed that the Congress will adjourn on or about December 13th.

PHILIP

821.6363/82 : Telegram

*The Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, November 26, 1919, 1 p.m.

Your November 12, 10 a.m.

While Department knows of no such agreement concluded with other powers, it is hoped that it will be the forerunner of similar arrangements and that the enlightened population of Colombia will be prompt to recognize the benefit to their country that will result from such an agreement.

As pointed out in Department's telegram of August 21, a serious condition is confronting this Government through legislation in Mexico of a socialistic tendency on oil properties. Such an unsettled tenure of property cannot fail to discourage the investment of capital, investment which is seriously needed in Colombia for the development of its potential riches, and which might be turned to other

<sup>60</sup> Not printed.

channels if American investors should be uneasy as to the permanence of their titles.

The Department is hopeful that the high intelligence of the Colombian statesmen will recognize the benefit of an agreement, and that the results will be so promptly apparent that other states will desire to follow Colombia's example.

LANSING

821.6363/96

*The Minister in Colombia (Philip) to the Secretary of State*

No. 208

BOGOTÁ, December 5, 1919.

[Received December 29.]

SIR: Adverting to my cable message No. 176 of November 22, 11 a.m., I have the honor to transmit herewith copy and translation of the complete text of the Decision of the Colombian Supreme Court <sup>61</sup> relative to the question of the ownership of non-metalliferous deposits in private lands, dated the 21st ultimo.

This Decision has been generally accepted in all quarters here as the final and authoritative word in this much disputed question, as far as the rights of the owners of private lands to such subsoil deposits is concerned. By this Decision, which I am given to understand is considered by all Colombians as final and irrevocable, the provisions of the Executive Decree of June 20th last which affected privately acquired rights to subsoil deposits are declared to have been unconstitutional. . . .

I respectfully express the hope that this action by the highest Court of this country will have the effect of quieting some of the anxiety which appears to exist in the United States concerning the petroleum situation in Colombia at least to the extent of permitting some relaxation of the attitude assumed by the Senate of the United States in the matter of the Treaty with Colombia regarding the Panama question.

I beg to transmit also copies and translations of three newspaper articles <sup>62</sup> . . . which will serve to illustrate the tone with which this important Decision was received by the press of Bogota, the majority of which appeared to favor nationalization prior to the Decision, together with copy and translation of an Executive Decree . . . dated the 26th ultimo which formally annuls that of June 20th last.

I have [etc.]

HOFFMAN PHILIP

<sup>61</sup> As published in the Bogotá *El Siglo*, Nov. 24, 1919; not printed.

<sup>62</sup> Not printed.

[Enclosure—Translation <sup>63</sup>]

*Executive Decree No. 2251, November 26, 1919, Annuling Decree No. 1255 bis*

The President of the Republic in the use of his legal faculties, and

CONSIDERING :

1. That the Supreme Court of Justice by Decision No. 52 of the 21st instant declared unattainable articles 3, 4 and 5 of the Executive Decree No. 1255 *bis* of June 20th of the present year;

2. That in virtue of such decision the principal dispositions and those which may be called the very substance of the decree remain without application;

3. That several other dispositions of said document have been left impossible of application for the reason that they were subordinate to those which the Court declared to be unattainable;

4. That the other dispositions of the Decree which regulate the exploration of petroleum lands and arrange the method of compiling suitable statistics will be without effect when the law that is now discussed in Congress is passed, whereby the exploration and exploitation of deposits of hydrocarbons will be completely organized, hereby

DECREES :

SOLE ARTICLE. That the Decree No. 1255 *bis* of June 20 of this year, which regulates the exploration of petroleum lands and arranges the compilation of statistics of mines of that material, be annulled.

Communicate and publish.

Given in Bogotá, November 26, 1919.

MARCO FIDEL SUÁREZ

*Minister of Treasury, in charge of  
Ministry of Public Works,*

ESTÉBAN JARAMILLO

821.6363/89 : Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, December 6, 1919, 9 a.m.

[Received December 10, 8.25 p.m.]

186. Referring to my cipher telegram No. 176 of November 22, 11 a.m. An Executive decree dated the 26th ultimo formally annulled the decree of June 20 last which had been ruled as

<sup>63</sup> Substituted for file translation.

unconstitutional by the Colombian Supreme Court in its decision dated the 21st ultimo. The Minister for Foreign Affairs informed me yesterday that the Senate, the day before, took its final note [*vote*] upon the petroleum law which had been sent to it by the House of Representatives. He assures me that the amendments and changes have rendered it satisfactory to the Government and he feels confident [*confident*] that it will also prove to be so to foreign interests. The most drastic change is the striking out of the paragraph providing for the forfeiture of subsoil deposits in private lands if not developed with[in] twenty years. Doctor Guzman states that the law as it now stands is based upon the Supreme Court decision and that privately acquired rights will be absolutely guaranteed by it. I understand that after a lapse of 20 years it is proposed to subject undeveloped subsoil deposits in private lands to a moderate tax which would appear to be within the rights of the Nation to do and not to infringe upon private ownership. In other respects I am informed that the project providing [*provides*] for the acquiring of public lands by contracts rather similar to that entered into by the Tropical Oil Company some time ago.

The Foreign Minister believes that favorable action upon the law as it now stands will be taken by the House of Representatives very shortly.

During the conversation I alluded to the question of the proposed agreement. Doctor Guzman said that although from the standpoint of the Government a protocol of the nature suggested was quite possible owing to the action lately taken by the Supreme Court, yet he is of the opinion that the sentiment of the Congress and country would render its approval impossible and the attempt on the part of the Government hazardous. He said that the President and himself are strongly of the opinion that an exchange of notes would be the only feasible plan and he called attention to the fact that the ruling by the Supreme Court was to Colombia more of a binding law than could be any treaty. The Minister stated that in his opinion an auspicious occasion for bringing up the question of a general agreement on the petroleum subsoil question among American nations would be the Financial Congress which is to convene at Washington in January. He intimated that Colombia would probably not be averse to initiating such a proposal at that time.

PHILIP

821.6363/104

*The Minister in Colombia (Philip) to the Secretary of State*

No. 238

BOGOTÁ, January 3, 1920.

[Received February 17.]

SIR: I have the honor to transmit herewith copy and translation of the Petroleum Law enacted by the Colombian Congress and entitled Law 120 of 1919.

The text of this law as adopted was finally voted by the Colombian Senate on the 29th ultimo. The signatures of the President and the Acting Minister of Public Works were attached on the 30th ultimo. The extraordinary session of the Colombian Congress was adjourned on the 31st ultimo.

Adverting to my cable messages Nos. 174,<sup>65</sup> 186,<sup>66</sup> 189 and 195<sup>67</sup> of November 20-10 a.m., December 6-9 a.m., December 12-9 a.m., and December 18-10 a.m., respectively, I beg to report that I have reason to believe that the Colombian Government has used every means at its disposal to bring about the enactment by the Congress of a just law and one which would not discourage foreign capital. This has not been an easy task owing to the prevailing ignorance among the legislators of the matter under discussion and the sentiment in favor of nationalization of oil lands as a means of procuring the greatest returns for the country and of avoiding international complications.

As the Department will observe, the Government has succeeded in bringing about a reduction of the zone tax on the gross production of oil in private lands as well as the excision of the proposed increase tax of one per cent every ten years of this tax.

On the other hand the taxes and restrictions placed upon the exploitation of national lands are severe and will probably call for revision by the next Congress.

Hastily I should judge that the holders of private lands, the titles to which antedate 1874, are entirely satisfied with the law now enacted. Others will probably consider the provisions as calling for modifications before successful development can be undertaken.

In the absence of any specific advice from the Department in this matter as well as of any source of disinterested expert opinion

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<sup>65</sup> *Ante*, p. 778.

<sup>66</sup> *Ante*, p. 781.

<sup>67</sup> Nos. 189 and 195 not printed.

here, I am unable yet to formulate a definite opinion as to the probable attitude which will be assumed by the American oil interests in general with respect to this law. I am of the opinion that it is based upon the recognition of the acquired rights of individuals to non-metalliferous subsoil deposits in private lands which, I understand, is the point in which the Department and the Senate are chiefly interested.

There will doubtless be protests by the oil interests against the provisions of this law. These protests, perhaps, will be voiced chiefly by those interests whose business it is to acquire holdings for the purpose of disposing of them to others. But should the Department and the Senate (as I think most probable) conclude that the law does not imply nationalization and that it respects private rights acquired in good faith I can conceive of no reason why it should be considered a just cause for the further postponement of action on the Treaty of 1914.<sup>68</sup>

I have [etc.]

HOFFMAN PHILIP

[Enclosure—Translation <sup>69</sup>]

*Law No. 120 of 1919 Relative to Beds or Deposits of Hydrocarbons*

THE CONGRESS OF COLOMBIA DECREES:

CHAPTER I: *Preliminary Dispositions*

ARTICLE 1: For the purposes of the present law, under the denomination of hydrocarbons is understood all the subterraneous formations of mineral oils, as petroleum of whatsoever class, natural gases emitted by these same formations, pitch, asphalt, wax and fossil resin.

The dispositions of this law shall not be applicable to deposits of asphalt when their exploitation is for the purpose of obtaining asphalt for consumption in the country.

Asphalt which is exported shall pay a tax of 6, 4, and 2%, depending on the zone from which it comes, in accord with article 2.

ARTICLE 2: For the same purpose the territory of the Republic is divided into three zones, as follows:

The first, which comprises the beds or deposits situated within 200 kilometers of the sea coast, the which will pay a minimum exploitation tax of 10% of the gross product; the second, which comprises those deposits situated at a distance of more than 200 and not exceeding 400 kilometers from the sea coast, the which will pay a

<sup>68</sup> *Foreign Relations*, 1914, p. 163.

<sup>69</sup> The translation here used is the one forwarded to the Department by the Consul at Barranquilla with his despatch No. 924, Jan. 20, 1920 (File No. 821.6363/105).

minimum tax of 8% of the gross product; and the third, which comprises the deposits situated more than 400 kilometers from the sea coast, from the gross product of which shall be paid a minimum tax of 6%.

In the contracts which may be celebrated in conformity with this law, it shall be specified that the tax assessed on the minimum base fixed in this article shall be augmented by 1% for each ten years of exploitation.

**ARTICLE 3:** For each contract of lease of hydrocarbons situated in public lands, in those recovered or which may be recovered by the Nation, by nullification, expiration, or cancellation of the adjudication which may have been made of them, in those which the Nation may have acquired or may acquire by any title whatever, and in those which belong to it as fiscal property, there shall be paid, in addition to the tax specified in the preceding article, an annual fee of 10 cents for each hectare of the concession, in the first year; of 20 cents in the second; of 50 cents in the third; and of one peso in the fourth and succeeding years, until the expiration of the lease. In the lands adjudicated or ceded as public lands (*baldios*) subsequent to October 28, 1873, there shall only be paid the exploitation tax fixed in accord with the bases of the preceding article.

This last without prejudice to the collection by the owner of the soil from the exploiter of the indemnities and advances to which he may have claim in accord with chapters 12 and 13 of the Mining Code.

**ARTICLE 4:** In lands distinct from those enumerated in the preceding article there will be no payment to the Nation of the fee of annual rental of the surface, and the exploitation tax will be a fixed quota of 8%, 6% and 4% of the gross product, respectively, in each one of the zones expressed in article 2.

**ARTICLE 5:** After 20 years from the passage of this law, if the government should have knowledge of the existence of deposits of hydrocarbons in lands distinct from those enumerated in article 3 which are not being exploited, in accord with article 25, it can dictate the necessary measures to ascertain if such deposits are susceptible of producing hydrocarbons in commercial quantity and conditions; if such investigation results satisfactorily it shall threaten the proprietor of the soil with the payment of an annual tax of 5 pesos per hectare of the land which contains such deposits, which tax shall become effective unless the proprietor of the soil agrees to effect the exploitation and does so, in which case he will be subject only to the payment of the corresponding exploitation tax, according to the dispositions in effect, and also in accord with the commercial requirements which the Government deems convenient.



ARTICLE 6: Foreigners interested under any title, in the exploitation of the hydrocarbons referred to in the present law, must expressly declare that they submit themselves to the dispositions of Law 145 of 1888, regarding aliens and naturalization, and to its additions, and amendments.

ARTICLE 7: The right of exploiting the lands or deposits situated in the lands referred to in article 3, is acquired by the lease concession which the Nation will grant to any national or juridical person, who, in conformity with common laws, has the capacity to obligate himself as lessor and acquires the right to do so according to the dispositions of this law.

ARTICLE 8: The concessionaire may transfer or sublet the concession referred to in the previous articles, subject to approval of the Government.

When the sub-lessor or concessionaire is a foreigner he shall make the declaration specified in article 6.

ARTICLE 9: The industry of exploitation of hydrocarbons and the construction of pipelines are declared to be of public utility.

ARTICLE 10: The dispositions of chapters 12 and 13 of the Mining Code shall apply as far as they are compatible with the nature of the exploitation of the beds or deposits referred to in this law.

Moreover, in favor of the exploitation of such beds and deposits, the right is assured of establishing the right of way of pipelines, including land sufficient for pumping stations and other constructions necessary to the proper functioning of the pipe lines, and of establishing wharves, carriers, and submarine and subfluvial pipelines, all of this subject to permission, which with knowledge of the necessity therefor, the Government will concede, and subject to the dispositions which may be dictated on the subject. Equal rights will be enjoyed by the persons or entities who, without being engaged in the exploitation of hydrocarbons, may celebrate contracts with the Government or obtain permission from it for the construction of pipelines.

The tariffs of pipeline companies shall be subject to the revision and approval of the Government.

## CHAPTER II: *Contracts of Lease*

ARTICLE 11: The exploration of assignable public lands, for the purpose of locating the deposits referred to in this law, is declared free.

ARTICLE 12: For exploration in public lands not assignable by virtue of reserves decreed by the Nation, and in those others referred to in article 3 of this law, a Government license is required, which will be granted to those soliciting it, provided that there are no special circumstances which might imply fraud or grave danger to the

Nation and provided that the applicants shall be obliged to deliver to the Government topographic plans of the land explored and the corresponding reports on its richness.

The exploration license can be retired by the Government at any time it esteems convenient and it will not constitute any right or preference for the holder in the matter of making contracts.

**ARTICLE 13:** To explore lands adjudicated or ceded as public lands subsequent to October 28, 1873, if the person who is to do the exploring is not the owner of the land, there shall be required, besides the license from the Government provided for in the preceding article, previous notice to the owner of the land or to the person in charge of it.

The person to whom this notice is given cannot refuse to permit the exploration, but the owner shall have the right to be indemnified by the explorer for the damages he may cause.

In case of disagreement decision shall be by experts named, one by each party and a third by the judge who may have jurisdiction by reason of the amount and the situation of the land.

**ARTICLE 14:** The person who desires to acquire for exploitation by lease the deposits covered by this law, shall formulate his proposal in a memorial addressed to the Minister of Public Works and presented personally by the petitioner or by his attorney at the Department of Public Works, or to the highest political or judicial authority in the place of his residence.

The proposals will be taken into account by the Government in the order in which they are presented. For this purpose there shall be opened in such offices special books in which will be registered the proposals with a notation of the day, hour, and place in which they were presented.

**ARTICLE 15:** The memorial containing the proposal shall be made in the following form:

1—The Municipality in which the deposits occur must be indicated, and a description of their location given.

2—The zone of exploitation shall be determined by definite limits and shall not exceed 5000 hectares nor be less than 1000. For this purpose the memorial must be accompanied by a topographic and geologic plan which will give a clear idea of the zone in question and of the deposits which it is desired to exploit.

3—There shall be expressed the names and nationalities of each one of the individuals for whom the lease is desired and the participation which each one has in the proposal.

This does not prohibit subsequent alterations in the proposal in this respect, which may be expressed by written declaration addressed to the Minister of Public Works. In order that such declarations may be effective it is indispensable that they be signed by each interested party and presented in person as provided in article 14.

4—If the contract is for a company, the name and residence of its legal representative must be given.

5—When any of the persons who figure in the proposal are not Colombians, the requirements of article 6 shall be fulfilled.

6—In the memorial the applicant must declare that he submits to the dispositions of this law, and especially to the supervision of the Government, payment of taxes, rental fees, causes of expiration, etc.

7—There shall be expressed the amount of rental offered and other circumstances making the contract advantageous for the Nation under the general conditions of the law.

ARTICLE 16: If there shall have been but one applicant for a given deposit the contract may be celebrated with him, providing there shall have been a favorable decision by the Junta de Hacienda created by Law 109 of this year, and by the Council of Ministers to the effect that the contract is advantageous to the interests of the country.

ARTICLE 17: In case of several proposals, other things being equal, the contract shall be celebrated with the discoverer of the deposit. If none of the applicants is the discoverer, preference shall be given, other things being equal, to the persons or entities who can duly guarantee compliance with their contractual obligations or who are in position to undertake the exploitation for their own account, and as between such persons preference shall be given to those who furnish the best guarantees of solvency, respectability or security.

The proprietors of the soil of lands ceded or adjudicated as public lands subsequent to October 28, 1873 and before the enactment of Law No. 30 of 1903, shall be given preference, in equality of circumstances, for the period of two years, counting from the enactment of the present law, for the celebration of a lease contract. After this period has elapsed the provisions of the first part of this article shall apply.

The Government shall dictate necessary measures to assure itself that deposits of hydrocarbons on lands belonging to the Nation, under any title whatsoever, are not exploited as private property. Every exploiter of petroleum deposits situated in lands distinct from those referred to in article 3 of this Law must prove before the respective departmental government (*Gobernacion*) that the municipal, departmental and national taxes on the lands exploited have been paid by the owner of soil for a continuous period of at least ten years last previous.

ARTICLE 18: The rights legitimately acquired previous to the enactment of this law cannot be affected by contracts celebrated by virtue of it, and the Nation does not assume responsibility for the perturbations or limitations in the enjoyment of the lease arising from the legal exercise of such rights.

It is understood that the exploitation tax shall be covered in every case by the exploiter (*por quien lo verifique*).

ARTICLE 19: Upon receipt of the proposals if, before passing on them, the Department (of Public Works) should have any doubt as to the authenticity of documents or accuracy of the plans, as to the responsibility and solvency of the applicants, or as to any other point requiring to be cleared up, an investigation shall be ordered at the expense of the interested parties.

ARTICLE 20: Before passing on the proposal the Department (of Public Works) will cause a synopsis of it to be published in the *Diario Oficial*, specifying the location, the number of hectares, the rental, and other pertinent data. Judgment shall not be passed until 90 days after the publication of the first proposal.

The same proposal shall be communicated to the Municipal Council of the place where the deposit is situated and shall be published also in the official gazette of the respective department.

Judgment will not be passed on proposals without there having been obtained all the data possible relative to the greater or inferior richness of the deposit, the quality of its product and other circumstances which might influence the profits of the exploitation.

ARTICLE 21: When the proposals are passed by the Department (of Public Works) they shall be submitted to the judgment of the Junta de Hacienda, created by Law No. 109 of this year, and of the Council of Ministers, and the contract shall be celebrated with the person whom the Junta and the Council jointly prefer.

ARTICLE 22: If, within the three months following the date of making the choice provided for in the preceding article, the person accepted by the Junta de Hacienda and the Council of Ministers does not appear to celebrate the contract, the remaining proposals, and the new ones which may have been submitted, will be passed on, being taken in their respective order and in accord with the dispositions of the preceding article.

ARTICLE 23: The contract shall contain:

1-The boundaries of the zone comprising the tract, with an indication of the azimuth of the lines which form the constitutive rectangle of the zone.

2-The names of the contractors, their nationality and residence. If the contractor is a company or juridical person, there shall be expressed the company name and the name and residence of its legal representative.

3-The declaration of foreigners or foreign corporation with whom a lease may be contracted, or the foreigners who may be co-participants in a lease, that they expressly submitted themselves to Law 145 of 1888 relative to aliens and naturalization, and its additions and amendments, and that they subject themselves to the jurisdiction of the authorities of the Republic.

4-The prohibition of transferring the contract or of subletting it to foreign Governments or of admitting them as associates, under

penalty of cancellation of the contract *ipso facto*. Any other transfer or sublease can be made with the approval of the Government.

5—The declaration that the Government reserves the right to exercise vigilance, in the form it deems most convenient, over the operations of the enterprise, and the manner in which the lessee complies with his obligations, including the technical as well as the fiscal and economic phase [*aspects*], and to take measures conducive to the full observance of the rights of the Nation.

6—The declaration that the lease is contracted for the period of 20 years; extensible for 10 years more at the option of the Government. During the term of the extension of the contract its observance will be governed by the law then in force.

7—The declaration that at the expiration of the contract or of its extension, and in any of the cases of cancellation detailed in article 29 of this law, the Nation acquires gratuitously the ownership of the machinery and installations existing within the perimeter of the concession, of all of which it can take possession in fact, without the necessity of any procedure whatever.

8—The declarations required by the Fiscal Code and Law 53 of 1909 relative to surety and penal clause. The amount of the bond shall be fixed by the Government and shall not be less than \$20,000.

9—The clauses providing for cancellation expressed in this Law and in the Fiscal Code, and

10—The declaration that to become valid the contract requires the approval of the President of the Republic, based upon the favorable concept [*report*] of the Junta de Hacienda and the Council of Ministers, and the review of the Council of State, in conformity with article 37 of the Fiscal Code.

ARTICLE 24: In the same Department, Intendencia or Comisaria, no one person, natural or juridical, can acquire a lease, either by direct contract or by cession or transfer, of more than three zones of exploitation of 5000 hectares each.

### CHAPTER III: *Exploitation*

ARTICLE 25: By exploitation is understood the extraction of the mineral wealth or of the gross product of the deposit or bed; and a deposit or bed of the products covered by this Law shall be considered in exploitation when there has been installed and in operation a plant with the machinery and other equipment deemed necessary for working the substances referred to in the contract, and provided that the extraction of the mineral has commenced.

Each deposit of petroleum shall be exploited in accord with its capacity. The Government will supervise the efficiency of the exploitation and is empowered to fix the minimum of the production in each case.

ARTICLE 26: All exploitation of deposits of hydrocarbons in the territory of the Republic shall be subject to the regulations which may be dictated by the Government to guarantee public and private

security, the health and life of workmen employed, and the due fiscalization [*supervision*] of the operations effected in the wells, tanks, deposits, pipelines, carriers and refineries.

ARTICLE 27: Each producer (exploiter) is obliged to supply the Government with such technical and economic data as may be required in relation to the enterprise; to admit in their operations the students of official schools who may go to make practical studies of the industry which is the subject of this Law, and to employ in their exploitation, so far as possible, Colombian workmen in a proportion not less than 50%.

ARTICLE 28: The beds or deposits situated in lands distinct from those enumerated in article 3 cannot be exploited without giving at least 60 days notice to the respective Department (Department of Public Works), and there shall be presented to the said Department within a year from the beginning of the exploitation, a plan of the zone of operations, containing the details specified in ordinal No. 1 of article 23.

To the plan shall be attached a report of the study of the exploitation, of the works which have been begun, of the wells or shafts which may have been opened, of their depth, of the class and quality of the substances extracted, and other statistical and illustrative data, such as drawings of the geological strata exploited.

The infraction of this disposition, in the part relating to the notice will give rise to a penalty consisting of doubling the tax for a period of not less than one year; and in the part relating to other obligations the Government will fix corresponding penalties.

The other infractions committed by exploiters of the deposits covered by this Law shall be submitted to the common laws applicable.

ARTICLE 29: The expiration of lease contracts shall be declared administratively by the Government in the following cases:

1—In case of transfer to foreign Government[s] or their admission as associates in the exploitation of the deposit leased.

2—When there is any hindrance to or evasion of the Government's right of supervision, in accord with paragraph 5 of article 23, and the putting into effect of the measures taken by the Government for the defense of the Nation's rights.

3—When the rental and the taxes imposed are not paid integrally and punctually. It is understood that the rental and the taxes are not paid punctually when they are not covered within the periods fixed by the corresponding articles of this law.

4—When, after five years from the date of the concession, the deposits are not in a condition of continuous production, this being understood according to the conditions expressed in article 25, or when, being in such state of production, the work is suspended for an entire year, except in the event of superior force or a fortuitous case conforming to the civil laws.

In order that the declaration of cancellation shall be effective it is required that the lessee, or his legal representative, be notified personally or in the manner indicated in article 25 *et seq* of Law 105 of 1890.

The resolution declaring a contract cancelled shall be published in the *Diario Oficial* and in the official gazette of the respective Department.

#### CHAPTER IV: *Fiscal Dispositions*

ARTICLE 30: The Government may exact the tax referred to in article 2 either in the product or in money at its option. In the first case the percentage shall be delivered in the tanks or storage reservoirs which each enterprise has in the port of embarkation which it uses for its own product, and, in the second, the value of the percentage in money shall be fixed by the Government, taking as a base the average of the New York market prices in the preceding quarter, according to the quality and character of the products of the exploitation. To this effect the Government will cause to be taken samples and other data which may be necessary at the points of embarkation, and will duly inform itself as to current prices.

ARTICLE 31: The deposits of petroleum adjudicated during the effective period of article 112 of Law 110 of 1912 shall pay the rental provided for in article 3 from the date of the enactment of this law, taking into account the size of the concession, excepting those not exploited which are in litigation with the Nation.

Also these will pay the corresponding percentage in conformity with the provisions of article 2 of the present law.

The exploiters of these deposits shall comply with the obligations expressed in article 28.

The dispositions of this article do not imply recognition of the validity of the adjudications to which it refers.

ARTICLE 32: The payment of the taxes and dues established by this law shall be made within the periods which the Government will determine.

ARTICLE 33: In order that the Government may assure itself that the liquidation of the exploitation tax is exact, it has the right at any time to inspect and examine the account books, balances, copy books, and in general all the accounting of the enterprise with its respective vouchers, by any employee or employees which it may designate for that purpose.

The accounting of the enterprise shall be done in the country, in the Spanish language, and in accord with the Commercial Code of the Republic.

ARTICLE 34: Of the integral product of the taxes on exploitation of hydrocarbons in any section, 30% shall go to the Department, 5% to the Municipality and the rest to the Nation.

Semi-annually the respective liquidation will be made by the Treasury General of the Republic and the quotas corresponding to the Departments and Municipalities will be delivered to them.

ARTICLE 35: The exploration and exploitation of the deposits referred to in this Law, the transportation of their products, the machinery and other necessary equipment for their extraction and for the construction and maintenance of pipe lines shall be exempt from all classes of departmental and municipal taxes direct or indirect.

ARTICLE 36: The hydrocarbons extracted from the deposits referred to in this Law cannot be assessed with departmental or municipal taxes.

#### CHAPTER V: *Final Dispositions*

ARTICLE 37: The contracts which may be celebrated for leases within the following zone:

“from a point 18 kilometers east of Point Arboletes, a straight line which terminates at Cape Tiburon; to the east and west two parallel lines which run south from the points indicated to points 60 kilometers south of the head of the Gulf of Uraba; on the south the union of these two parallel lines by a line drawn from east to west”,

shall be governed by the provisions of the present Law insofar as they are not incompatible with the following prescriptions:

(a) In the zone expressed there shall be no preferential right by reason of discoveries.

(b) The minimum exploitation tax shall be 20% of the gross product, and

(c) To no one person or entity can be given a lease in said zone of a tract greater than 5000 hectares, except when the respective contract comprehends fiscal operations authorized by present laws and which involve the acquisition of resources by the Treasury of not less than \$20,000,000; in this case the zone leased for the exploitation of hydrocarbons may contain up to 100,000 hectares in one tract.

If, for the fiscal operation relating to the acquisition of the loan for the sum above indicated, it shall be necessary to constitute as surety or guarantee the percentage of the exploitation which corresponds to the Nation in the tract which is leased, the Government is authorized to grant it.

In these cases the exploitation tax which is fixed on the minimum contemplated in this article shall be distributed in the form prescribed in article 34 of this Law.

The provisions of this article shall be applied also to the following zone for lands of the Nation: From a point between Cocalito and La Ardita to the frontier with Ecuador, a strip 20 kilometers wide, besides the territorial sea zone.

No contract shall be entered into covering the deposits existing in the zone referred to in this article until the Government shall have made a study, by competent geologists, as to the richness of the deposits.



ARTICLE 38: The Nation reserves the right to exploit the deposits which may occur beneath territorial waters, lakes and navigable rivers. By virtue of this it is required that all contracts for the exploitation of such deposits shall be approved by Congress.

ARTICLE 39: The bureau of mines of the Department of Public Works shall consist of two sections, one in charge of administrative and judicial business relating to mines and the other in charge of engineering and geology.

The first section shall consist of a chief, expert in mining legislation and jurisprudence, and three subordinate employees.

The second shall consist of a chief who must be a mining engineer or geologist, an assistant engineer and three geologists who are experts in petroleum.

For the payment of the personnel and material of the office of mines, for the installation of a laboratory, a mineralogical and paleontological museum, publication of the monthly mining bulletin, library, etc., etc., there is appropriated beginning the next fiscal year the sum of \$100,000.00 annually.

The Government may select geologists within or outside the country endeavoring to obtain the most competent and impartial service.

ARTICLE 40: The Government will make appointments to the bureau referred to in the preceding article as the needs of the service require, and is authorized to fix salaries and to celebrate contracts with technical experts without the subsequent approval of Congress.

ARTICLE 41: The contracts for the exploitation of petroliferous deposits celebrated with the Department of Public Works, which should be or may have been submitted to Congress for its approval, and which shall not have been expressly approved before the enactment of the present Law, shall be considered disapproved.

ARTICLE 42: The lease contracts treated in this Law do not require the approval of Congress except those referred to in article 38.

ARTICLE 43: The Government is amply authorized to promulgate regulations for carrying this Law into effect.

ARTICLE 44: A special edition of this Law shall be made, in the languages which the Government deems necessary, for profuse circulation both in and outside the country, and this publication shall contain the legal dispositions in force concerning aliens and naturalization.

ARTICLE 45: The Nation reserves the exploitation of radio-active substances such as radium and helium (*heilo-radio*).

ARTICLE 46: All legal dispositions contrary to the present law are hereby annulled.

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Signed in Bogota the 29th of December, 1919.

Approved by [the] President on December 30, 1919.

#### OWNERSHIP OF RONCADOR AND OTHER CAYS

##### Proclamations Assuming Exclusive Jurisdiction of the United States; Erection of Lighthouses—Protest by Colombia

811.822/38a : Telegram

*The Acting Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, February 12, 1919, 4 p.m.

The Department of Commerce is anxious to obtain permission from the Government of Colombia to erect aids to navigation, one on the eastern or southern part of Old Providence Island and the other on one of the Courtown Cays. Should permission be accorded the lights will be unwatched lights exhibited from the tops of small, steel skeleton towers about 40 feet high, placed on concrete blocks. The area required for each tower will be a small tract of land about 50 feet square. The lights may be placed in charge of the proper local officer of the government of each island. The United States will pay all expenses of erecting and maintaining the lights, including the pay for such local services of attendance as is required. The lights would require inspection probably two or three times a year by a representative of the Lighthouse Service of this country, but otherwise it would not be necessary for the United States to have any employee at the light station, except such service as would be employed locally.

You will immediately ask the Government of Colombia if it will be kind enough to permit the erection of these lights which it is believed will greatly facilitate navigation in the waters near these islands and will minimize the danger at present attendant upon such navigation.

You will also inform the Government of Colombia that this request does not signify the taking of any attitude on the part of the United States Government toward the various claims concerning the sovereignty of the islands in question.

POLK

*Proclamation No. 1512, February 25, 1919, of the Reservation for Lighthouse Purposes of Cays on Serrana and Quita Sueño Banks*

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS, the Congress of the United States has provided by act of August 18, 1856 (11 U.S. Statutes at Large, page 119; Secs. 5570 to 5578 U.S. Revised Statutes), that whenever any citizen of the United States, after the passage of the act, discovers a deposit of guano on any island, rock, or key, not within the lawful jurisdiction of any other Government and shall take peaceable possession thereof and occupy the same, the island, rock, or key may, at the discretion of the President of the United States, be considered as appertaining to the United States.

AND WHEREAS, pursuant to the foregoing act of Congress, Serrana and Quita Sueño Banks in the western part of the Caribbean Sea are now under the sole and exclusive jurisdiction of the United States and out of the jurisdiction of any other government.

NOW, THEREFORE, I, WOODROW WILSON, President of the United States, by virtue of the power in me vested, do hereby declare, proclaim, and make known that the southwest cay of Serrana Banks and the north, or other suitable portion, of Quita Sueño Banks, including any small detached cays surrounding either of these banks which the Department of Commerce may desire, be and the same are reserved for lighthouse purposes, such reservations being deemed necessary in the public interests, subject to such legislative action as the Congress of the United States may take with respect thereto.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the United States to be affixed.

DONE in the District of Columbia this twenty-fifth day of February in the year of our Lord one thousand nine hundred [SEAL] and nineteen, and of the Independence of the United States the one hundred and forty third.

WOODROW WILSON

By the President:

FRANK L. POLK

*Acting Secretary of State.*

811.822/54 : Telegram

*The Minister in Colombia (Philip) to the Acting Secretary of State*

Bogotá, May 16, 1919, 5 p.m.

[Received May 19, 11.05 p.m.]

71. My May 7th, 11 a.m.<sup>70</sup> Note dated 15th instant from Minister for Foreign Affairs states that subsequent to 1915 Government purchased abroad towers, et cetera, for construction of lighthouses on Pacific and Atlantic littoral, and especially in Archipelago of San Andres and Providence, but that owing to war restrictions in the United States it has been impossible to obtain them; that in 1917 the United States Government appropriated various of these supplies which had been prepared for shipment by the "American Gas [Accumulator Co.]" ; that the Government has been in communication with the Colombia[n] Minister at Washington, who has been instructed to advise this company that the Government desires it to undertake the work of establishing lighthouses in the Archipelago as soon as the present abnormal situation has been adjusted; finally, that the Colombian Government lacks legal authority to grant to foreign Governments such permission as requested.

PHILIP

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*Proclamation No. 1522-A, June 5, 1919, of the Reservation for  
Lighthouse Purposes of Roncador Cay*

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

### A PROCLAMATION

WHEREAS, the Congress of the United States has provided by act of August 18, 1856 (11 U.S. Statutes at Large, page 119; Secs. 5570 to 5578 U.S. Revised Statutes), that whenever any citizen of the United States, after the passage of the act, discovers a deposit of guano on any island, rock, or key, not within the lawful jurisdiction of any other government and shall take peaceable possession thereof and occupy the same, the island, rock, or key may, at the discretion of the President of the United States, be considered as appertaining to the United States.

AND WHEREAS, pursuant to the foregoing act of Congress, Roncador Cay in the western part of the Caribbean Sea is now under the sole and exclusive jurisdiction of the United States and out of the jurisdiction of any other government.

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<sup>70</sup> Not printed.

NOW, THEREFORE, I WOODROW WILSON, President of the United States, by virtue of the power in me vested, do hereby declare, proclaim, and make known that Roncador Cay, in the western part of the Caribbean Sea, be and the same is reserved for lighthouse purposes, such reservation being deemed necessary in the public interests, subject to such legislative action as the Congress of the United States may take with respect thereto.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the United States to be affixed.

DONE this fifth day of June in the year of our Lord one thousand  
 [SEAL] nine hundred and nineteen, and of the Independence of  
 the United States the one hundred and forty third.

WOODROW WILSON

By the President:

WILLIAM PHILLIPS

*Acting Secretary of State.*

811.822/63: Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, September 12, 1919, 11 a.m.

[Received September 13, 12.15 a.m.]

130. The Minister for Foreign Affairs informs me that an official report has been received by the Colombian Government from the Intendente of the islands of Providencia and San Andres that stone and cement light towers have been erected without the permission of the Colombian authorities on the cays of Roncador, Quita Sueno and Serranilla (or Serrana) in the Colombian Archipelago. The report further states that these towers have been furnished with self-feeding lights to last one year.

The Minister said he would send a note of inquiry regarding the above report which has already been taken up by the press and which is most embarrassing to the Government in view of the present delicate situation existing between the United States and Colombia. I respectfully [request] the Department's instructions upon which to base my reply.

PHILIP

811.822/64

*The Minister in Colombia (Philip) to the Secretary of State*

No. 144

BOGOTÁ, September 17, 1919.

[Received October 9.]

SIR: With reference to my cable message of September 12: 11 a. m. I have the honor to transmit herewith copy and translation of a note

from the Colombian Minister for Foreign Affairs, dated the 13th instant, relative to an official report received by the Ministry of Government to the effect that light towers have been installed on the cays known as Roncador, Quita Sueño and Serranilla and which belong to the Republic of Colombia.

[Here follows summary of the enclosed note.]

In my conversation with the Foreign Minister on the subject he called my attention to the press notices in regard to it. I said that I was in entire ignorance of any such action having been taken and felt very confident that the work had not been undertaken at the instigation of the Government of the United States unless some misunderstanding may have existed as to the ownership of the rocks in question.

The opposition press is using this report as one of its points of attack against President Suarez as well as against the policy of the United States towards Colombia.

It is very regrettable that the incident has arisen at this juncture and I very much hope to receive from the Department such information as will have the effect of allaying all cause for criticism here in regard to it.

I have [etc.]

HOFFMAN PHILIP

[Enclosure—Translation]

*The Colombian Minister of Foreign Affairs (Holguin y Caro) to the American Minister (Philip)*

BOGOTÁ, September 13, 1919.

MR. MINISTER: By official communications which have reached the Ministry of Government and which have been transmitted to the Foreign Office the Government has learned, not without surprise, that some light towers have been installed in the Cays of Roncador, Quita Sueño and Serranilla, which belong to the territorial domain of Colombia.

Under date of March 1st last, Your Excellency addressed himself to this Ministry in order to solicit for your Government a permit for the instalation of light towers in the islands of Providencia and Courtown. Nothing was said at that time about the existence of light towers or the proposal to establish them on the Cays above mentioned. The Government of Colombia brought to the attention of Your Excellency's Government several years ago the titles which make good its right to proprietorship over the Cays, as can be seen

in the lengthy note which the Chargé d'Affaires in Washington, General Julio Rengifo, transmitted to the Department of State under date of January 18, 1893.<sup>71</sup>

Previous [*subsequent*] to this note, Your Excellency's Government recognized explicitly the sovereignty of Colombia over the Cays, for it supported through its Legation in Bogota a request from the Government of Sweden that the Government establish a light tower in those places.<sup>72</sup> Upon transmitting this desire the Minister of the United States employed the following words: "I am instructed to advise Your Excellency that the Government of the United States warmly seconds the idea of the Government of Sweden and that it would be pleased to learn that the erection of that light tower which is of such great necessity has been determined upon."

In view of the above, my Government cannot explain the existence of light towers on the Cays, without requesting its consent or having given notice of that proposal; and therefore, I take the liberty of calling Your Excellency's attention to this matter in order that Your Excellency may deign to seek information about the origin and circumstances of a work carried out on territory the proprietorship over which the Government of Colombia once more sustains, thus leaving its rights there unimpaired.

I renew [etc.]

HERNANDO HOLGUIN Y CARO

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811.822/65: Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

Bogotá, October 4, 1919, 10 a.m.

[Received October 10, 9.45 p.m.]

147. Referring to my cable of September 12th, 11 a.m. concerning light houses on Colombian cays the papers here are full of violent protests against [action] of the United States. An article from *La Estrella* of Panama dated September 14th is extensively quoted which embodies copy of proclamation by President Wilson dated June 1st last declaring Roncador Cay to be under the jurisdiction of the United States et cetera. I beg the Department to consider the disadvantageous position in which I am placed in this matter and to inform me fully in regard to it. The announcement has caused an unfortunate impression which tends to greatly increase the difficul-

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<sup>71</sup> Not printed; see *Foreign Relations*, 1894, pp. 197-98.

<sup>72</sup> The communication was presented by the Legation in accordance with the Department's instruction No. 76 of Nov. 26, 1894 (Colombia, Instructions, vol. 18); not printed.

ties of the existing situation. If possible the instructions sent me should embody authoritative and reassuring statement for publication. The *Gil Blas* of yesterday publishes a perfect translation of my note of March 1st to the Foreign Office requesting permission for towers on Providencia and Courtown which evidently has been obtained surreptitiously.

PHILIP

811.822/65 : Telegram

*The Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, October 16, 1919, 2 p.m.

Your September 12, 11 a.m.

Lighthouses were built and in operation in June, 1919, on the Cays of Roncador, Serranillo, and Quita Sueno, in the belief that they appertain to the United States under Guano Act.<sup>73</sup> The Colombian Minister here has expressed the opinion that erecting lighthouses without consulting Colombia has had an unfortunate effect on situation surrounding new proposed subsoil agreement there, and offered to submit a memorandum, presumably to explain Colombia's position, at a more propitious moment. In view of your October 4, 10 a.m., you may assure the Colombian Government that this Government will be pleased to hear any arguments it cares to make with respect to these cays but it is hoped that for the moment the questions of major importance like that of the new proposed subsoil agreement and the Treaty of 1914 as modified may take precedence.

LANSING

811.822/73 : Telegram

*The Minister in Colombia (Philip) to the Secretary of State*

BOGOTÁ, November 19, 1919, 11 a.m.

[Received November 21, 3.20, p.m.]

173. Referring to the Department's October 16, 2 p.m. relative to Roncador and other cays. Does the Department wish me to reply in writing to the Foreign Office note of September 13th transmitted with my despatch number 144 of September 17th as instructed in the last paragraph of that telegram? My action has been confined to verbal communications as the instructions received seemed intended for that only.

PHILIP

<sup>73</sup> 11 U.S. Stat. 119.



811.822/73 : Telegram

*The Secretary of State to the Minister in Colombia (Philip)*

WASHINGTON, November 24, 1919, noon.

Your 173, November 19, 11 a.m.

Department approves your interpretation of instructions contained in Department's October 16, 2 p.m., and believes that no further message in connection with Roncador Cay should now be sent. Please inform Department at once if Colombian Government re-initiates the matter.

LANSING

**BOUNDARY DISPUTE WITH PANAMA**

(See pages 73 ff.)

**BOUNDARY DISPUTE WITH PERU**

(See pages 80 ff.)

**BOUNDARY DISPUTE WITH VENEZUELA**

(See pages 80 ff.)

# COSTA RICA

## POLITICAL AFFAIRS

Organization of Tinoco's Opponents in Nicaragua; Representations to Nicaragua by the United States—Unsuccessful Invasion of Costa Rica by Julio Acosta—Reports by the Consul at San José of Threats against Americans—Bomb Explosion at the Legation, May 19—Revolutionary Affray at the Consulate, June 12—Summoning of the Gunboat "Castine" to Port Limon—Further Incursions from Nicaragua—Proposals for Joint Action of the Other Central American States; Approval of the United States

818.00/533 : Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, January 15, 1919, 9 p.m.

[Received January 17, 4.27 a.m.]<sup>1</sup>

Much military activity and the air full of rumors. Recruits being made, troops sent toward both oceans today. Recently Arturo Volio and others imprisoned, property of Juan Gomez molested but he was not found, are now after him. Joaquin Tinoco reported having been at Causill [*Cartago?*] today conferring with ex-President Ricardo Jimenez. Usaga and gang now in San Jose; it is rumored, to assassinate certain merchants should trouble arise. It may be another case of terrorizing the people and looting the Treasury.

CHASE

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818.00/535 : Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, January 18, 1919, 1 p.m.

[Received January 19, 6 p.m.]

Over 5000 recruits gathered; others being brought. General work suspended because men not taken are in hiding. Several hundred men with Joaquin Tinoco in command left here last night towards the Pacific coast. Ammunition not delivered to the men until arrival at destination because not trusted. Extra session of Congress called for 23rd, ostensibly for peaceable matters; rumored meets today to declare war on Nicaragua. The people have great hopes present Congress will stop this intolerable situation of affairs and eliminate Tinoco. Reported that Joaquin Tinoco told ex-President

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<sup>1</sup> Text printed from corrected copy received Jan. 17, 4.09 p.m.

Jimenez recognition by the Government of the United States was sure in March; also that Arturo Volio had confessed and gave to them all particulars of opposition and they intended to hold back for recognition. Local opponents say ready to act promptly should an opportunity offer. Popham now in San Jose. Respectfully suggest that cables be addressed American Consul rather than American Legation.

CHASE

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818.00/533 : Telegram

*The Acting Secretary of State to the Consul at San José (Chase)*

WASHINGTON, January 20, 1919, 4 p.m.

Your January 15, 9 p.m.

Keep Department closely informed concerning situation.

POLK

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818.00/537 : Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, January 25, 1919, 5 p.m.

[Received January 27, 10.20 p.m.]

Reliably informed that Federico Tinoco informed Congressman at the Palace after short session of Congress Thursday the cause of present situation was due to information received that the Costa Ricans in Nicaragua were preparing invasion aided by Nicaragua and Honduras; also that arms and ammunition were furnished by Nicaragua and 100 men from Honduras admitted to Nicaragua to aid invasion. He added that he had cabled Mission in the United States to inform William Jennings Bryan of it so that he could present situation of Costa Rica to the Department as Nicaragua was aiding intended invasion, this [*thus?*] disturbing the peace of Central America, especially of Costa Rica; and that he has cabled Costa Rican Minister in Paris to present the situation to the Peace Conference and ask them to request information of the United States as to whether the United States was helping Nicaragua in this matter. Tinoco said that he would await their answer and would not demobilize army until the affair with Nicaragua was ended once for all, and that he was prepared to go to war with Nicaragua if necessary. Congress adjourned until next Wednesday. Reported that Tinocos have two 75-millimeter and one automatic gun brought from Chile.

CHASE

818.00/541 : Telegram

*The Chargé in Nicaragua (Curtis) to the Acting Secretary of State*

MANAGUA, January 28, 1919, 12 a.m.

[Received 8.53 p.m.]

This morning the President showed me letters from the Nicaraguan Consul General at Puntarenas, who resigns because of continued discourtesy, et cetera, by Costa Rican authorities, reporting unjustifiable imprisonment *incommunicado* of several Nicaraguan citizens for whom he has been unable to accomplish anything; these citizens are mostly from Rivas and Nicaraguans near Costa Rican boundary are much excited, making the situation very difficult. Reports also state that Costa Rica has mobilized 5000 soldiers of whom 1000 are at Puntarenas under Samuel Santos, renegade Nicaraguan, and equal numbers at Las Canas and Liberia near Nicaraguan boundary.

The President repeats his assurances that he desires to assimilate his policy to that of the United States, but requests that the United States take some active step even if only stopping American merchant vessels calling at Costa Rican ports.

CURTIS

818.00/550

*The Costa Rican Agent (Lara) to the Acting Secretary of State*<sup>2</sup>

WASHINGTON, February 20, 1919.

YOUR EXCELLENCY: I have the honor to bring to Your Excellency's knowledge that the Government of Costa Rica, informed of the dispatches recently published through the American press about an intended upheaval in Central America and of statements lending to the Department of State the affirmation that official news had been received by it stating that Costa Rica has massed forces at its frontier with Nicaragua, has requested me to formally declare:

That Costa Rica harbors no ill will toward Nicaragua or any other nation and that there are not any Costa Rican armed forces at the frontier, with the exception of the usual detachments of police required to maintain order;

That notwithstanding the situation created by the open protection and help accorded by the Nicaraguan Authorities to a group of Costa Rican malcontents in their endeavors to discredit the present Administration of Costa Rica and their intrigues and manouvres against

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<sup>2</sup> Text received in English.

my Government, Costa Rica has not deemed convenient to adopt retaliatory measures;

That this attitude of the Costa Rican Government if [*is?*] dictated principally by its desire to avoid any motive of friction with Nicaragua, also obeys to the fact that in view of the special relationship existing between the American and Nicaraguan Governments, it believes that the United States will not—in contrary to the affirmation daily made by the referred group of malcontents—countenance any move tending to trouble the peace of Central America and that the weight of its advice will be employed to that end near the Nicaraguan Authorities.

I will not dwell, Excellency, on the policies and on the attitude of prudence and good will that inspire my Government in this occasion, but I have no doubt that the sense of fairness and equity which guides this great Nation in its foreign policies, will note that our most sincere wish is to be allowed to pursue in peace the work of administration and financial reconstruction initiated by President Tinoco with the approval of the great majority of the people, without, in any way, entering in any undertakings which might provoke conflicts of any kind with Nicaragua or any other nation.

I avail myself [etc.]

CARLOS LARA

518.00/559

*The Costa Rican Agent (Lara) to the Acting Secretary of State*<sup>3</sup>

WASHINGTON, *March 4, 1919.*

EXCELLENCY: While conscious of the anomalous situation in which I am placed as representing at this Capital the interests of a Government which has not been officially recognized by the Government of Your Excellency, I take the liberty of placing before Your Excellency the sub-joined statements in the hope that this official presentation of facts will merit Your Excellency's attention.

During the whole time since Don Federico Tinoco has occupied the Presidency of the Republic of Costa Rica, and during which time the great majority of the people of that country have given constant evidence of their approval of his administration of their internal affairs—a small group of his political enemies have maintained an asylum in Nicaragua, and from there, with what I have reason to believe has been at times the open encouragement of some Nicaraguan authorities, have continually intrigued and conspired against the existing Government of Costa Rica and have endeavored to disseminate false and misleading information in regard to the Costa Rican

<sup>3</sup> Text received in English.

Government. This information through different channels, I am lead to believe, has reached even the Department over which Your Excellency presides, and in addition, it has been given publicity in the press through an agency of which I am ignorant, and all to the evident damage and prejudice of the Government of Costa Rica.

That the efforts of this group of hostile expatriates to whom I have referred, should find an echo in the mind of the few malcontents who still remain upon Costa Rican soil, and that these efforts should secure material and financial support from among the German element in Costa Rica, which has never forgiven the attitude of President Tinoco and his Government in respect to the war, is altogether natural. But I cannot repress my astonishment that they should also have found encouragement from any official representative of the United States.

This, however, is unhappily the fact. And I have indisputable evidence that Mr. Johnson, until recently in charge of the American Legation at San José, and Mr. Chase, the American Consul at the same Post, have given evidences of an attitude unsympathetic, if not unfriendly, to the Administration of President Tinoco, with whose enemies they have established and maintained the most intimate of relations.

Following the withdrawal of Mr. Johnson from his Post at San José, the Costa Rican Government had hoped that Mr. Chase, the Consul charged with the administration of American interests in my country, would mitigate the attitude which he had therefore assumed. But I am sorry to be compelled to say to Your Excellency that Mr. Chase, as is well known, has frequently attempted an unjustifiable interference in the interior affairs of the country to which he is credited, and that many of his activities are employed, according to reliable information in the possession of the Costa Rican Government, in the spreading of false representations and accusations against the Tinoco Administration, such, for instance, as imputing to the Government of Costa Rica an intention of promoting an invasion of the territory of Nicaragua with the hope of putting into power in that country, Julian Irias, and of thus renewing in Nicaragua the dominance of former President Zelaya. In consequence of the rumors thus given fresh impetus through the activities of Mr. Chase, the American newspapers have recently published sensational stories regarding an impending breach of the peace in Central America—all of which are without foundation and in their inception, as my Government has ample reason to believe, founded upon a breach of duty by the American Consular representative.

The Government of Costa Rica is fully persuaded that these intrigues are not countenanced by the Government of the United States; but I am instructed most categorically to deny that neither President Tinoco nor any member of his Administration has ever for a moment contemplated any invasion of the territory of Nicaragua or any interference in the internal affairs of the country. On the contrary, the existing Government of Costa Rica has found itself compelled sometimes to safeguard its territory and its people as against the efforts of the revolutionary junta domiciled in Nicaragua because the Government of Nicaragua encourages or permits a band of border ruffians under the leadership of chronic revolutionists and political outcasts from Costa Rica, to make use of neighboring territory for the purpose of fomenting hostile designs against the Government which has maintained itself in peace in Costa Rica in spite of all obstacles and through the united loyalty of the people of that Republic. I will be more specific that Your Excellency may know who these leaders are by name and character. They are Manuel Castro Quesada; General Jeffries, an American citizen, very well known in Costa Rica as a revolutionist and common disturber of the public peace; General Chao, a Mexican who belongs to the Villa gang, and Jorge Volio, the leader of the Germanophiles of Costa Rica.

In bringing these facts to the attention of Your Excellency, my Government instructs me to express the hope that if the Government of the United States cannot see its way to the extension of formal recognition to the existing Government in Costa Rica, it may at least exercise its good offices and its admonitions upon those whose actions tend to rupture the existing peaceable status in Central America and to give just consideration to the attitude assumed by Mr. Chase toward the internal affairs of Costa Rica as hereinbefore presented to your Excellency.

I take [etc.]

CARLOS LARA

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818.00/562: Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, March 5, 1919, 5 p.m.

[Received March 7, 7.29 p.m.]

Volio, Guardia and Padilla were brought back to San Jose early this morning on special train and released. They had been held in the penitentiary at San Lucas. A further emission of 3,520,000 colones on March 3. Was informed today by Director of Telegraphs that my telegram to American Minister in Nicaragua in cipher of

the Department filed Benicia not sent because Joaquin Tinoco instructed not to send a message for me in special code other than to the Secretary of State, Washington.

CHASE

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818.00/587: Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, April 15, 1919, 6 p.m.

[Received April 17, 4:36 p.m.]

Last night and today over 30 people have been arrested and imprisoned and some of them badly injured by the policemen. For the first time the Tinoco agents have broken into houses to capture men. List includes three brothers of ex-President Gonzalez, brothers of ex-Minister for Foreign Affairs Julio Acosta, prominent lawyers, and others. Recruits are being made, and more talk of invasion. A friend of Federico Tinoco, Dr. Uribe, said today that encouragement had been received from the President of Guatemala to fight to very last because he said that the attitude of Washington was a bluff. Other desperadoes are reported to have left here to reach the United States to kill Alfredo Gonzalez. They must get the visé in some other country.

CHASE

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818.00/588

*The Costa Rican Agent (Lara) to the Acting Secretary of State*

WASHINGTON, April 19, 1919.

SIR: I am instructed by cablegram just received from my Government to bring to Your Excellency's knowledge the fact of which my Government is reliably informed that an armed body of mercenaries organized in open day in Nicaragua, under the protection and with the knowledge, consent and encouragement of that Government, under the leadership of General Luis Mena and the Mexican General Manuel Chao, well known outlaws, are on the point of invading the territory of Costa Rica for the wanton destruction of life and property.

That notwithstanding the imminent menace in which Costa Rica could be placed by this hostile movement, it has not mobilized a single soldier for the defense of its territory, but has relied on the good will of the Government of the United States to intervene with its controlling influence in Nicaragua, and on the hope that it will exercise that powerful influence to remove all demonstrations of this kind, which are not only a menace to the peace and good order of the people and Government of Costa Rica, but, if left free to work out



their destructive purposes, must necessarily involve Central American countries in a condition of revolution so much to be dreaded by all law abiding citizens.

As on former occasions, I have had the honor to indicate to Your Excellency, Costa Rica desires to live, as up to the present moment she has lived, in peace, without injury to anyone and without permitting injury to herself on the part of others. In the interior of the country perfect order and absolute calm reigns throughout; the inhabitants are engrossed in their daily labors; nationals and foreigners are surrounded by every kind of guaranty that can be furnished by a government that is a free and spontaneous expression of the popular will and that has given the most eloquent expressions of sympathy and friendship for the people and Government of the United States, more especially since the outbreak of the great world tragedy.

In the minds of all Costa Ricans, as well as foreigners resident in Costa Rica, a very especial American colony, it is an indisputable fact that the former government presided over by Senor Alfredo Gonzalez was not only characterized by marked and strong pro-German inclinations, but by hostility to the United States, against which country it publicly arraigned [*arrayed?*] itself through the press.

These facts and considerations heretofore set forth before Your Excellency, justify my Government in hoping that the Government of the United States will be pleased to take such steps as may be necessary to prevail upon the Government of Nicaragua to perform the duties imposed upon it by the conditions in question, and by international law, and I am peculiarly keen in this emergency in serving as the authorized mouthpiece of my Government for the reason that during my term as Minister of Foreign Relations of Costa Rica it was my distinguished privilege to offer to the American people, through the medium of Your Excellency's Government, the use of the ports and waters of Costa Rican territory, during the duration of the war, and to break off diplomatic relations with Germany, and later, to declare war against that nation.

With assurances [etc.]

CARLOS LARA

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818.00/588: Telegram

*The Acting Secretary of State to the Minister in Nicaragua  
(Jefferson)*

WASHINGTON, April 21, 1919, 4 p.m.

The Department has received information to the effect that an armed body of mercenaries organized with the knowledge and consent of the Nicaraguan Government, under the leadership of General

Luis Mena and the Mexican General Manuel Chao, are on the point of invading the territory of Costa Rica. You will investigate the accuracy of this information and report by cable.

POLK

818.00/589 : Telegram

*The Minister in Nicaragua (Jefferson) to the Acting Secretary of State*

MANAGUA, April 23, 1919, 11 a.m.

[Received 7.54 p.m.]

The Department's April 21, 4 p.m. In running down the rumor to the effect that the Costa Rican exiles aided by followers in Nicaragua, Honduras and Salvador are making the attempt to invade Costa Rica, it appears that Julio Acosta, Raul Acosta, Doctor Giustiniani and Castro Quesada have been seeking a military leader and have induced the Mexican General Chao to lead their forces. Also, yesterday I learned that they had conferred with General Mena who is apparently noncommittal. It has leaked out that their plan is to organize and meet in Guanacaste, Costa Rica, and once there to set up a provisional government likely with Julio Acosta as its president, and immediately afterwards to offer military resistance to Tinoco Government. It is reported that they have 2 machine guns, 300 rifles and 50,000 rounds of ammunition and that these count on strong support from a large number of Costa Ricans after their arrival in Guanacaste.

Yesterday President Chamorro arrived after a two weeks absence and I discussed this question with him and he assured me that he had not consented to any such movement but on the contrary had instructed his officers and men to give no assistance. I believe that the President is sincere in his representations to me and will act in accordance with the Department's desires.

JEFFERSON

818.00/589 : Telegram

*The Acting Secretary of State to the Minister in Nicaragua (Jefferson)*

WASHINGTON, April 29, 1919, 7 p.m.

Your April 23, 11 a. m.

Report to Department any new developments in situation and intimate to President Chamorro that the Department hopes that he will be governed in his actions by the principles of international comity.

POLK

818.00/595: Telegram

*The Minister in Nicaragua (Jefferson) to the Acting Secretary of State*

MANAGUA, April 30, 1919, 4 p.m.

[Received May 1, 4.10 p.m.]

Department's April 29, 7 p.m. Julio Acosta and the Costa Rican exiles here have continued secretly organizing small bodies of men for the purpose of invading Costa Rica. I am informed that already they have sent 150 men towards the Nicaraguan-Costa Rican boundary and that they expect before the end of the week to have a well organized body of about 300.

Acosta, so I was informed by the President, is reported to have said that he had left Salvador with the full intention of returning to Costa Rica and putting out Tinoco, and it mattered not if he should sacrifice his life in the attempt. Acosta apparently has the sympathy of President of Salvador.

Chamorro has not given any material military assistance but apparently sympathizes with exiles.

Tinoco through Irias has summoned more Nicaraguan Liberals for military duty. One Colonel Arroliga, an artilleryman, left here a few days ago to join Tinoco. He is reported to be the one that during the Mena revolution handled the artillery and bombarded Managua.

Late reports are to the effect that Tinoco has sent forces to the frontier near La Cruz in Guanacaste.

JEFFERSON

818.00/595: Telegram

*The Acting Secretary of State to the Minister in Nicaragua (Jefferson)*

WASHINGTON, May 3, 1919, 4 p.m.

Department's April 29, 7 p.m.

Your April 30, 4 p.m.

Keep close watch on situation and cable Department developments. The Department does not wish to be placed in the position where it can be criticised for failure to urge upon President Chamorro the careful fulfillment of his duty to prevent expeditions being organized on territory of Nicaragua, and his duty to remain strictly neutral in any struggle between Tinoco and his opponents.

POLK

818.00/599 : Telegram

*The Minister in Nicaragua (Jefferson) to the Acting Secretary of State*

MANAGUA, May 5, 1919, 3 p.m.

[Received May 6, 1.15 p.m.]

Department's May 3, 4 p.m. Julio Acosta accompanied by several Costa Rican exiles left Granada Saturday. It is reported they are proceeding in the direction of Sapoa, however, it is difficult to learn dates of their movements or just where they expect to join the squads of men which they have already sent towards the frontier. It is said that they will have an organization of probably 500 men many of whom, so I am informed, are Nicaraguans.

President Chamorro informed me that quite a number of Nicaraguans have been going to Costa Rica for the purpose of joining Tinoco and also quite a number have joined the exiles, and that it has been difficult for him to police the frontier having only ten men. Being desirous of acceding to the wishes of the Department to maintain strict neutrality, he requests the Department to advise him as to the advisability of his placing an additional force 150 or 200 men on the border in order that he may better patrol the frontier. He stated that the financial plan of only authorizing [*sic*] the payment of a [certain] number of soldiers and that he would not exceed this without the proper authority.

The President stated that he had received telegram from Pena Blanca that an officer of Tinoco crossed the border with a small body of men and took 13 mules from a mule buyer named (Pearto?) said to be employee of the United Fruit Company.

JEFFERSON

818.00/604 : Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, May 6, 1919, 6 p.m.

[Received May 8, 8.45 a.m.]

Tinoco continues to impress recruits and imprison others. Hundreds of recruits of all ages taken last night. Business stagnant, condition of affairs becoming very serious. One of the prominent American citizens, Walter Field, reports that arrest of Americans threatened if interrupted [*sic*] and asks that notice be given by our Government to forestall such reported suspension of the constitutional guarantees by Congress today. Telegraph office closed to all but Tinoco messages.

CHASE

818.00/599: Telegram

*The Acting Secretary of State to the Minister in Nicaragua  
(Jefferson)*

WASHINGTON, May 7, 1919, 3 p.m.

Your May 5, 3 p.m.

Second paragraph not entirely clear to Department. Cannot Nicaraguan Government, under existing appropriations, send sufficient forces to frontier to police it, if not, what is the "proper authority required."

In your opinion would the sending of Nicaraguan troops to the frontier meet the needs of the present situation as expressed in Department's May 3, 4 p.m. or would such action arouse suspicions of Costa Rica and be provocative of trouble.

POLK

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818.00/602: Telegram

*The Minister in Nicaragua (Jefferson) to the Acting Secretary of  
State*

MANAGUA, May 7, 1919, 4 p.m.

[Received May 8, 12.05 a.m.]

I am informed that Julio Acosta and men now occupy Pena Blanca, Costa Rica, and he has been proclaimed Provisional President. They have telegraphed President Chamorro requesting that they be recognized as belligerents.

No skirmishes reported between contending parties.

JEFFERSON

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818.00/606: Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, May 7, 1919, 4 p.m.

[Received May 10, 3.04 a.m.]

Strictly confidential. Referring to my cable of May 6, 6 p.m. Owing to the dangerous type of men in control of things here and the frequent threats against American citizens by the followers of Tinoco, the last being the statement of Franklin Jimenez to an ex-Congressman that order had been sent to Limon and Punta Arenas that if American warships appeared at the port American citizens were to be assassinated, some Americans are very nervous; Franklin Jimenez is a deputy and related to Tinoco. Respectfully requested that prompt and adequate measures be immediately taken for the

protection of American lives and property in Costa Rica. Threats here [*have?*] also been made to shoot brothers of Julio Acosta and other political prisoners. A Chinese citizen has just telephoned that his property has been taken and three Chinamen put in jail and asked protection. The state of affairs is serious. Fifty Nicaraguan Liberals followers of Julian Irias came by special train last night under command of Manuel Arroliga with [*since*] insurrection of 1912 in Nicaragua and now with the army. Wireless telegraph station at Limon is likely to be taken by Tinoco at any moment and all means of communication cut off.

CHASE

818.00/623: Telegram

*Mr. Julio Acosta to President Wilson*<sup>4</sup>

[Translation]

PEÑA BLANCA, May 7, 1919.

PRESIDENT WILSON: Being placed at the head of the liberating movement in Costa Rica as Provisional President by unanimous will of the constitutional army, I have the honor to salute you respectfully and to express my warranted hope that, in view of the high justice of our cause, our arm being fortified by stout resolution, you will grant us your protection and recognition in behalf of the Costa Rican people and of universal right. Please accept the homage of my profound regards.

JULIO ACOSTA

123C38/108: Telegram

*The Minister in Nicaragua (Jefferson) to the Acting Secretary of State*

MANAGUA, May 10, 1919, noon.

[Received May 11, 6.25 a.m.]

Consul at Corinto just telegraphed following:

"May 10, 11 a.m.

United States Consul at San José, through Captain steamer *Salvador* says: 'I am cut from all communication. Advise the Government of the United States that I menaced by Tinoco with assassination should United States tug appear.' McConnico".

JEFFERSON

<sup>4</sup>Received in the Department May 20, from the White House.

818.00/611: Telegram

*The Minister in Nicaragua (Jefferson) to the Acting Secretary of State*

MANAGUA, May 12, 1919, 4 p.m.

[Received May 13, 2.40 p.m.]

Department's May 7th, 3 p.m. Taking into account that the budget provides for 410 soldiers, 900 police, etc., it may be that a hundred of these might be sent to police the frontier without jeopardizing police protection of the interior.

The High Commission in case of emergency may authorize such additional expenditures as required; however, in such cases the Department should express an opinion regarding same.

In my opinion I am inclined to think that the sending of an additional 100 or 150 police to the frontier will not meet the needs as expressed to the Department May 3rd, 4 p.m. [May 5, 3 p.m.]. However any additional police sent to the frontier will be a better protection for Nicaragua but will not prevent sympathizers of the exiles here from going to their aid.

Unless some invasion of Nicaragua is attempted by Tinoco I shall as heretofore counsel Chamorro against arousing more suspicion by sending too large a body to the frontier.

On account of interrupted telegraphic communication no news has been received from Costa Rica the last two days.

JEFFERSON

818.00/599: Telegram

*The Acting Secretary of State to the Minister in Nicaragua (Jefferson)*

WASHINGTON, May 12, 1919, 6 p.m.

Department's May 3, 4 p.m., May 7, 3 p.m.

Department has received a letter from Carlos Lara, Costa Rican Agent in Washington to the following effect: <sup>5</sup> The hostile movement in the neighboring state of Nicaragua did not emanate from the enemies of the Tinoco government in Costa Rica but on the contrary had its inception, birth and development to its present state in Nicaragua and this with the full knowledge and consent of her authorities. Out of the thousand men that composed the expeditionary force for despoliation of Costa Rican territory can be found only 20 Costa Ricans. It would seem as if the whole world now centered at Paris to establish universal peace, would protest indig-

<sup>5</sup> Letter, dated May 9, not printed.

nantly to Nicaraguan Government. Costa Rica believes that a decisive word from the United States Government to that of Nicaragua would avert the invasion of Costa Rica. Costa Rica has a right to expect that the American Government will exercise its powerful influence to crush the germ of this fraternal warfare.

You are directed to urge upon President Chamorro in the strongest manner possible, that he take all means in his power to prevent the departure from Nicaragua of armed expeditions into Costa Rica. If in your judgment it would help matters, urge President Chamorro to send forces immediately to police the frontier.

At a time when representatives of most of the countries of the world are gathered in Paris to establish a permanent peace, this Government views with especial regret breaking out of warfare and the shedding of blood in Central America and desires that everything possible be done to put an end to this condition.

POLK

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818.00/613 : Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, *May 12, 1919, 6 p.m.*

[*Received May 14, 5.50 p.m.*]

Strictly confidential. Referring to my cable of May 7, 4 p.m. Respectfully request presence of war vessels at both ports and if possible soldiers for San Jose during the present situation. Threats against Americans emanated from presidential palace although denied by Tinoco in Congress, but lately repeated since his speech. He has many desperadoes in his service and Americans other communities and persecuted Costa Ricans would feel safer knowing that protection was in reach. Chinese complaints rectified. No definite information but Tinoco reported as very much worried. His power seems almost ended unless outside interference. People fear that he will destroy the city. Please instruct by wireless to Limon.

CHASE

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123C38/108 : Telegram

*The Acting Secretary of State to the Minister in Nicaragua  
(Jefferson)*

WASHINGTON, *May 13, 1919, 6 p.m.*

Your May 10th noon.

Department knows of no tug proceeding to Costa Rica. Endeavor to get telegram through to Consul Chase inquiring as to his safety



and welfare. Cable Department fullest possible news regarding Acosta's expedition and again warn [?] authorities in Nicaragua to see there is no just cause of complaint on part of Costa Rica.

POLK

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818.00/613 : Telegram

*The Acting Secretary of State to the Consul at San José (Chase)*

WASHINGTON, May 15, 1919, 2 p.m.

Your May 12, 6 p.m.

Department understands that there are at this time United States war vessels at Bluefields and at Amapala which would be able to reach Costa Rican waters without delay should occasion arise. Department does not consider that information contained in your telegram would warrant the immediate despatch of these ships to Costa Rican waters, as such action might be misconstrued in Costa Rica, and nothing which you have said indicates clear necessity for such action. Keep Department closely informed as to entire situation in Costa Rica.

On May 12 the Department received the following telegram from American Minister in Nicaragua "Consul at Corinto just telegraphed following: 'May 10, 11 a.m. United States Consul at San Jose through captain steamer *Salvador* says: "I am cut from all communication. Advise the Government of the United States that I menaced by Tinoco with assassination should United States tug appear."' McConnico." Was this telegram actually sent by you? Cable Department upon exactly what facts you based the assertion that you were threatened by Tinoco with assassination.

POLK

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818.00/617 : Telegram

*The Minister in Nicaragua (Jefferson) to the Acting Secretary of State*

MANAGUA, May 15, 1919, 5 p.m.

[Received May 16, 5.07 p.m.]

Department's May 12, 6 p.m. President Chamorro emphatically denied that he or his Government have given military assistance to Costa Rican exiles and that he has repeatedly told their friends that they need not count on receiving assistance from him and that if they undertook to return to Costa Rica and begin operations against Tinoco it would be their responsibility and not his.

The above in effect was corroborated by General Viquez who is a very reliable man and a trusty friend of Chamorro and it was he

who confidentially gave me such information as he could obtain concerning the movements of the exiles.

Chamorro willingly consented to give guarantees to prevent the departure of armed forces to Costa Rica. He explained the great importance of his having an extra force of 150 men. I have approved of the sending of the extra force and immediately they will be sent to police the frontier. If by chance the exiles are thrown back into Nicaragua they will be disarmed, concentrated, and sent out of the country.

As regards guarantees Chamorro asked what guarantees if any could be relied on from such men as Tinoco and Irias who have surrounded themselves with the worst military element of Nicaragua and who now have their spies and recruiting agents in Nicaragua.

I shall insist upon the strict neutrality of this Government. The Department should warn the agent of the Tinoco government that no attempt should be made to invade Nicaragua and that it should put a stop to the work of its agents and spies here.

Telegraphic communication between here and Costa Rica is still interrupted and but little news is coming through. Last reports indicate that the exiles are endeavoring to advance to insurgent army Canas but are meeting with serious difficulties on account of bad weather and many obstacles put in their way by the Tinoco forces. Seemingly, unless the exiles are supported more strongly by the coming of Costa Ricans to their aid, they will fail.

JEFFERSON

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818.00/628: Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, May 19, 1919, 6 p.m.

[Received May 21, 11.37 p.m.]

Department's May 15, 2 p.m. My cipher telegram May 7, 4 p.m.,<sup>6</sup> gave name and some particulars of threat. No telegrams except to the Department were sent by me. A note by messenger was sent to Consulate at Punta Arenas, May 8th, giving same fact and saying: "Better confidentially put our citizens on guard as you think best," and to get "word to Doctor Jefferson that we are likely to be cut off from all means of communication with our Government, if not already, and to advise our Government of the danger." Threats were frequent, as some Americans contend. Details by last mail. Absolute proof as soon as people feel secure against reprisals. Reports are persistent that the Tinoco forces are in bad condition and have had

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<sup>6</sup> *Ante*, p. 814.

defeats with heavy losses, also that many have deserted to the other side. The Red Cross is constantly calling for more supplies for wounded. Newspapers have published quiet here [*sic*]. Think it advisable war vessel should be kept within very close call at any time. Danger is that notice cannot be sent in time should emergency arise. Prohibition against use of cables without disclosing text of message in force only a few hours; now claims to give our messages special attention but we send all of our messages by railroad to Limon for transmission and communication may be entirely cut off as was attempted in an earlier revolution. These usurpers are making a final stand and are desperate.

CHASE

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818.00/626 : Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, May 20, 1919, 3 p.m.

[Received May 21, 11.43 p.m.]

Last night at about 9:20 an unsuccessful attempt was made to blow up our Legation building apparently by bomb which exploded near the reception room entrance and glass windows broken but no other damage, inside of building not injured. No authorities came around since but one policeman opposite at the time of explosion. Americans and others passed building during the night. Trying to secure extra private guards [for] archives in building. Local authorities grant no protection. No mention of affair in the newspapers this morning. Photographs and particulars by mail. Please refer to my recent cablegrams.

CHASE

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818.00/634 : Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, May 21, 1919, 6 p.m.

[Received May 24, 4.35 p.m.]

Confirming my May 20th, 3 p.m. Situation of affairs becoming more serious. Foreigners and business men express fear of their properties being destroyed unless the United States intercede. The people of the poorer class are being impressed into the army and their families are going without food. Well informed men state that Costa Rica is rapidly approaching famine conditions. A majority of all the foreign colonies and a majority of the prominent natives would not misconstrue but would welcome the presence of our war vessels at each port and soldiers in San José. The almost

universal cry is for the United States to step in and prevent the complete destruction of this country and the slaughter of innocent people. Ricardo Fernandez Guardia was arrested but escaped. Police are besieging Pio Bolanos, Nicaraguan, and representative of American manufacturers and whose son is a citizen of the United States. Both of these men suffer for giving me information of value and in my opinion full protection should be extended. One of the officials of the usurper has stated that he was told by him that "while I am President of the Republic Pio Bolanos is not going to have any liberty." A political prisoner released says that the room adjoining where he was confined with others is a storage room for gasoline, powder, dynamite, and bombs. It is a common boast that barracks now mined. Owing to lack of information regarding invasion people feel that Tinoco is doomed. Consular agent at Punta Arenas just advised that owing to defeats reported Tinoco intends concentrating there. Consular agent asks for naval assistance in some form.

CHASE

818.00/627

*Senator George H. Moses to the Acting Secretary of State*

WASHINGTON, *May 21, 1919.*

MY DEAR MR. POLK: I am enclosing with this a letter today received by me from the attorney for the Costa Rican Government.

The subject matter is self-explanatory; and I will be glad to have any comment upon it which you choose to make.

Sincerely yours,

GEO. H. MOSES

[Enclosure]

*The Attorney for Costa Rica (Hazelton) to Senator George H. Moses*

WASHINGTON, *May 21, 1919.*

MY DEAR SENATOR: Inasmuch as our Department of State declines official intercommunication with the duly accredited agency of the Costa Rican Government here in Washington, I am induced to invoke your kindly offices to transmit to that Department this letter or its subject matter over your signature as a matter of justice to the Government of Costa Rica.

I am instructed by that Government as its legal representative here, to say that the report that is understood to have been made to the Department of State by the American Consul, Mr. Chase, at San

Jose, that he had been informed by a member of the Senate of Costa Rica in the presence of a gathering of responsible men that the lives of the American colony would be sacrificed by the action of that Government should the pending invasion of the Territory of Costa Rica from Nicaragua succeed, is without any foundation in truth whatever.

It is hardly necessary to say that this alleged report on the part of the American Consul is preposterous upon its face and unworthy of belief, as the fact was well known to him that the American colony in Costa Rica with all its vast interests in property and life, has always been and is now in close alliance with that Government for the mutual protection whether in offensive or defensive warfare, of their mutual interests. Nevertheless, the Government of Costa Rica deems it a wise precaution to bring to the knowledge of the Department of State their emphatic denial of the truth of this statement, as set forth in a Joint Resolution passed by the Congress of Costa Rica, which in part reads as follows:

“No Senator nor Costa Rican having any moral integrity would make such a statement to the American Consul and it should be evident to the American Consul that this malicious slander could not be true against the traditions of this hospitable country that has always complied with the obligations as a civilized nation extending every courtesy to all foreigners; the outrageous slander is considered by this Joint Session as an insult to the country and therefore the Congress unanimously resolves to protest in the most emphatic manner the displeasure against this slander and resolves that its members sign this protest as approval of same.”

Sincerely yours,

GEO. C. HAZELTON

818.00/636 : Telegram

*The Acting Secretary of State to the Minister in Nicaragua  
(Jefferson)*

WASHINGTON, May 22, 1919, 5 p.m.

Department has received a letter dated May 21 from Costa Rican agent in Washington,<sup>7</sup> stating in part: “Nicaraguan Government continues to send munitions and provisions to the revolutionists who are on the frontier and has accumulated Nicaraguan forces amounting to about 200 men at a point on the San Carlos River, adjoining Costa Rican territory.” You will bring this information to the attention of President Chamorro and again urge him to maintain strict neutrality and to prevent acts in violation of international comity.

POLK

<sup>7</sup> Not printed.

818.00/633 : Telegram

*The Minister in Nicaragua (Jefferson) to the Acting Secretary of State*

MANAGUA, May 23, 1919, 3 p.m.

[Received midnight.]

Department's May 22, 5 p.m. Statement of the Costa Rican Agent to the Department is highly exaggerated and whether he is sincere in his statement or has some ulterior motives in view I cannot say.

In regard to a force of 500 Nicaraguans on the San Carlos River as reported, this cannot be verified and the number there does not exceed a dozen men. The Nicaraguan Government having in view the object of maintaining neutrality and the better protection of its frontier recruited 150 extra soldiers but out of this number only 115 reached the Guanacaste frontier as 35 deserted. The Liberal element of the Irias faction here seemed to have put all obstacles possible in the way of the Government's recruiting and counseled their people either to desert or when they reached the border to go and join the Tinoco forces. During the night and day the recruiting took place, bands of men passed through the streets shouting *vivas* for Tinoco and death to Chamorro and the revolutionists. Juan Ramon Avilero, newspaper correspondent and one of the instigators of the trouble, is now in prison.

With reference to Chamorro's furnishing munitions to the revolutionists, he frankly states that he is not and I believe his word may be taken.

In regard to the movements of the Acosta forces, it is reported that they have determined to continue the fight against Tinoco and that they have gotten assistance in men and money from Costa Ricans and that some of the Tinoco soldiers have joined their forces.

JEFFERSON

818.00/627

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*The Acting Secretary of State to Senator George H. Moses*

WASHINGTON, May 26, 1919.

DEAR SENATOR MOSES: I have received your communication of May 21, enclosing a letter which you received from Mr. Hazelton, the attorney for the Costa Rican Government, regarding a report that Mr. Chase the American Consul at San José, is supposed to have made to the Department of State. Mr. Hazelton's letter to you begins:

"Inasmuch as our Department of State declines official intercommunication with the duly accredited agency of the Costa Rican Gov-

ernment here in Washington, I am induced to invoke your kindly offices to transmit to that Department this letter or its subject matter over your signature as a matter of justice to the Government of Costa Rica."

I am at a loss to understand the necessity for Mr. Hazelton to invoke your kindly offices to transmit this letter to the Department, inasmuch as Mr. Hazelton has personally brought to the Department a number of communications from Mr. Carlos Lara, the Costa Rican agent in Washington.

With regard to Mr. Chase's reports, I am sure you would agree that he would be delinquent in his duties, were he not to report to the Department anything said to him concerning danger to American lives and property in Costa Rica.

I am [etc.]

FRANK L. POLK

818.00/646: Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, May 26, 1919, 6 p.m.

[Received May 28, 9.54 p. m.]

Confirming my May 24, 6 p.m.<sup>8</sup> Very quiet here for two days. Tinoco reports revolution put down. No news from the front. Revolutionists say that they will bombard San José soon if necessary to oust the usurper.

Care-taker Legation building is practically a prisoner there because chief Tinoco spy tried to get him and said that he threw the bomb. Care-taker says that spies are frequently seen around Legation building.

Ricardo Fernandez Guardia sent word to me that his arrest was ordered because he came to speak with me at the hotel a week ago, he is now a prisoner in his own home. . . .

CHASE

818.00/645a: Telegram

*The Acting Secretary of State to the Consul at San José (Chase)*

WASHINGTON, May 26, 1919, 6 p.m.

Personal for Chase from Polk. I am following the situation in Costa Rica with great care. I am convinced that the presence of warships at present would only be interpreted one way, namely as an attempt on the part of the United States to undermine the influence of Tinoco, and an interference in internal difficulties. Of

<sup>8</sup> Not printed.

course, sending Marines to San Jose is out of the question unless some actual danger threatens you or the American colony. As it is we were assured by a number of business men in Costa Rica, friends of Tinoco, that they are quite satisfied with the situation and adequate protection is being given to all American interests. Under the circumstances, the Department must await developments, particularly as you have not been able to give the Department any definite information as to why you consider the situation dangerous for you and other Americans.

We are sending Lawton<sup>9</sup> to assist you. Keep the Department fully informed. You may be sure Department is watching the situation closely and will stand behind American interests with all the force necessary when occasion requires. Department, however, has no intention of acting hastily and laying itself open to the charge of interfering in Costa Rican domestic affairs.

POLK

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818.00/645 : Telegram

*The Minister in Nicaragua (Jefferson) to the Acting Secretary of State*

MANAGUA, May 27, 1919, 11 a.m.

[Received May 28, 1.20 p.m.]

Information received yesterday is to the effect that the Acosta force of 300 men attacked 800 of Tinoco forces at El Jobo near Liberia. It seems that the battle lasted five hours. Losses were sustained on both sides. The Acosta force retired to their base of operations on account of shortage in ammunition. It is reported that Tinoco has in the vicinity of Guanacaste a force of approximately 2,000 men well equipped and fortified.

JEFFERSON

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125.83381/23 : Telegram

*The Minister in Nicaragua (Jefferson) to the Acting Secretary of State*

MANAGUA, June 2, 1919, 4 p.m.

[Received June 3, 9.30 a.m.]

Consul at Corinto just telephoned me that he has received a rush message from Consular Agent at Punta Arenas via launch to San Juan Del Sur and telegraph to Corinto that he needs naval assistance immediately. Consul at Corinto also informed me he had sent this message by rush telegram to United States ship *Machias* at Amapala.

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<sup>9</sup> Ezra M. Lawton, Consul at Guatemala.



Has the Department telegraphic communication with the American Consul at San Salvador [*San José*], Costa Rica?

JEFFERSON

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125.83381/23: Telegram

*The Acting Secretary of State to the Minister in Nicaragua (Jefferson)*

WASHINGTON, June 4, 1919, 1 p.m.

Your urgent June 2, 4 p.m. requesting ship does not give reasons for request. Keep Department fully posted.

POLK

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818.00/661a: Telegram

*The Acting Secretary of State to the Consul at San José (Chase)*

WASHINGTON, June 4, 1919, 1 p.m.

Department received most alarming rumors respecting conditions in Punta Arenas. Use every effort to keep Department fully informed of developments, reporting particularly upon conditions in Punta Arenas.

POLK

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818.00/662: Telegram

*The Minister in Nicaragua (Jefferson) to the Acting Secretary of State*

MANAGUA, June 5, 1919, 4 p.m.

[Received June 6, 8.10 a.m.]

Department's June 4, 1 p.m. Since my telegram June 4, 9 a.m.,<sup>10</sup> I have received two letters, dated May 29th and 30th, from the Consular Agent at Puntarenas stating that the situation in Costa Rica is growing worse and that too much time should not be lost in sending naval assistance to protect American life and property; also that the Tinocos are plotting the invasion of Nicaragua.

Mr. [Clodomiro Urcuyo], Nicaraguan resident of San José who is business partner of Minor C. Keith, arrived here from Costa Rica yesterday. His main purpose of visiting the Legation was particularly [to] ask my good offices in helping him to secure the release of his business partner Salvador Cerda, Nicaraguan citizen, who he asserts was imprisoned by Tinoco for no cause whatsoever. He stated that this was done after Cerda had visited the American

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<sup>10</sup> Not printed.

Consul Agent at Puntarenas. Also he informed me it was looked upon by the Tinocos as almost a crime for persons to visit American consuls there and he further stated that while he did not believe the Tinocos would interfere with or harm Americans he firmly believed their lives were in danger; that the military class of men who surround Tinoco would hardly stop at anything; and that in order to safeguard against some [omission?] the leading plotters he considered it advisable ships be sent to the ports of Limon and Puntarenas.

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JEFFERSON

818.00/666: Telegram

*The Acting Secretary of State to the Minister in Honduras (Jones)*

WASHINGTON, June 10, 1919, 6 p.m.

Department informed Tinoco sending R. A. Calderon G. and Rafael Calderon M. to Honduras by steamer *City of Para* or steamer *Izabal*. Observe them closely reporting what seems to be their aim. Department would deeply regret were Honduras to send arms and ammunition to Tinoco in view of attitude assumed in Washington convention.

POLK

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818.00/666: Telegram

*The Acting Secretary of State to the Chargé in Guatemala (Thurston)*

WASHINGTON, June 10, 1919, 7 p.m.

Department informed that Federico Tinoco of Costa Rica is sending Francisco Farron and Maraino Zungigab [*sic*] to Guatemala by steamship *City of Para* or steamship *Izabal* in hope of obtaining arms and ammunition.

Tactfully point out to Guatemalan Government Department's attitude toward Tinoco as well as the position assumed in the Washington convention expressing hope that Guatemala will continue as ever faithful to the spirit therein set forth.

POLK

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818.00/666: Telegram

*The Acting Secretary of State to the Chargé in Salvador (Arnold)*

WASHINGTON, June 11, 1919, 4 p.m.

Department informed Tinoco sending Alejandro Aguilar and Ricardo Mora by steamer *City of Para* or steamer *Izabal* to Salvador. Observe them closely reporting what seems to be their aim. Depart-

ment would deeply regret were Salvador to send arms and ammunition to Tinoco in view of attitude assumed in Washington convention.

POLK

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818.00/684 : Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, June 12, 1919, 6 p.m.

[Received June 14, 11.30 a.m.]

Confirming earlier telegram of this day.<sup>11</sup> Manifestations against Tinoco have been made for the past three days by students and teachers and their sympathizers, broken up by the police with drawn revolvers and sabers and horsemen. Many arrests last night. One woman teacher struck by police with his fists and with a sword, injured. This morning all the schools were closed and some school girls came in front of the Consulate and started to cheer and the crowd of women, girls and some young men got in front of the building when the police arrived and drove many of the crowd into the building. A few minutes later some one started to shoot and the people dispersed, those on the balcony of the Consulate into the building. Many shots were then fired at the Consulate some directly towards me. The crowd was cheering but orderly until the shooting. Several prominent American citizens have prepared a letter addressed to me this afternoon urging that war vessels be sent immediately to both ports and sufficient marines to San Jose to protect American life and property. Condition of affairs very dangerous.

CHASE

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818.00/683 : Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, June 13, 1919, 5 p.m.

[Received June 15, 11.35 a.m.]

Confirming my telegram in English. City filled with revolutionists. Tinoco soldiers and police shooting indiscriminately with killed and wounded. Uprisings reported in many towns. American life and property and all persons in jeopardy. Chief newspaper office burnt to-day. Majority of the American citizens adopted strong resolutions this morning condemning attack on Consulate and assault on Consul yesterday morning by Tinoco adherents and requesting immediate protection. Indications are that attack on Consulate was premeditated. Assaults on women and children have been disgraceful. Full details by mail.

CHASE

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<sup>11</sup> Not printed.

818.00/689

*The Costa Rican Agent (Lara) to the Acting Secretary of State*

[Translation]

WASHINGTON, June 13, 1919.

EXCELLENCY: In compliance with my Government's instructions I have the honor to bring the following facts to Your Excellency's knowledge:

The invasion of Costa Rican territory which recently took place and which, as I deemed it my duty to inform Your Excellency two months before it was carried into effect, was being preferred [*prepared*] in the neighboring Republic of Nicaragua, has been repulsed by the Costa Rican troops. The fifteen hundred mercenary adventurers who made up the invading force and were nearly all Nicaraguan citizens, have been defeated and thrown out of our territory. They have again taken refuge in Nicaragua in places adjoining the Costa Rican boundary line together with a few Costa Rican[s] and the Mexican soldier who was in command.

The circumstance that those adventurers invaded Costa Rica from Nicaragua where, as I informed Your Excellency, they so openly prepared for the invasion that even the Nicaraguan press gave daily accounts of the said preparations, sharply criticizing the Nicaraguan Government's improper attitude, compelled my Government to mobilize troops in sufficient numbers to enable it to inflict a quick and telling defeat upon an enemy who received from the country from which he came assistance that could not be easily or exactly calculated.

That mobilization entails upon the Government of Costa Rica a heavy sacrifice in money and serious injury to industry and agriculture, while general disarmament cannot be ordered as long as the enemy—although now in smaller numbers—remains near the frontier of Costa Rica and could easily reorganize if those who supplied the means for the first invasion are disposed to relapse into an act which I unhesitatingly brand as criminal as I unhesitatingly declare that the people of Costa Rica peaceful and industrious by nature, as all the world knows, bring all their resources into play when threatened by a foreign enemy and with even an abridgment of their autonomy and do not spare their blood in the defence of what is dear to them.

If the Government of Nicaragua will concentrate in the interior of the country those unscrupulous adventurers unmindful of the consequences of their acts and guarantees that there shall be no further invasion, it will mean *ipso facto* the withdrawal of the Costa Rican troops now stationed at a reasonable distance from the frontier of the neighboring country. The Government of Costa Rica strictly standing on the defensive harbors no purpose of invading Nicaragua

territory, intervening in that country's politics or resorting to reprisals that might be legitimate, cherishes the hope that the Government of the United States may bring its powerful influence to bear on Nicaragua and lead it to the path marked out by its international duties.

The conventions concluded in Washington under the favorable auspices of the Government of the United States in 1907 by the Central American countries, that have been of so great advantage to those Republics, have provisions that read as follows:

"ARTICLE XVI. Desiring to prevent one of the most frequent causes of disturbances in the Republics the contracting Governments shall not permit the leaders or principal chiefs of political refugees or their agents to reside in the departments bordering on the countries whose peace they might disturb.

"Those who may have established their permanent residence in a frontier department may remain in the place of their residence under the immediate surveillance of the Government affording them an asylum but from the moment when they become a menace to public order they shall be included in the rule of the preceding paragraph.

"ARTICLE XVII. Every person, no matter what his nationality, who, within the Territory of one of the contracting parties, shall initiate or foster revolutionary movements against any of the others, shall be immediately brought to the capital of the Republic where he shall be submitted to trial according to law."

In conclusion I beg Your Excellency's leave to say that the invaders having failed to carry out their original plan are now trying to work out another which cannot be any worse and of which the Government of Costa Rica is fully informed.

The enemy's intention is to avail himself of the presence at a place called Sapoá on the Nicaraguan side, of a few adventurers, enemies of Costa Rica, led by the American mercenary Jeffers [*Jeffries?*], and to hurl them, shouting the false cry, "Long live President Tinoco" at the Nicaraguan forces on guard there, and at the American troops so as to give the attack the appearance of coming from the Government of Costa Rica.

I have deemed it proper to warn Your Excellency's Government of this new purpose of our enemy.

With sentiments [etc.]

CARLOS LARA

818.00/678: Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, June 13, 1919.

[Received 10.07 p.m.]

Have called gunboat *Castine*, everybody in danger. Marines needed here at once. City in turmoil. Revolution growing.

CHASE

818.00/678: Telegram

*The Acting Secretary of State to the Consul at San José (Chase)*

WASHINGTON, June 14, 1919, 6 p.m.

Your unciphered telegram June 13. Department can take no steps in sending vessels or Marines to your assistance in the absence of specific acts against yourself or other American citizens reported by you. Keep Department closely informed as to entire situation in Costa Rica and give exact and full information of any hostile acts perpetrated against American citizens.

Your June 7, 5 p.m.<sup>12</sup> Department desires to be informed address in the United States of representative of Impresa de Transportes Maritimos.

POLK

818.00/695: Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, June 16, 1919, 8 p.m.

[Received June 18, 1.40 p.m.]

Department's June 14, 6 p.m. Calls to the Department for protection were based on threats and as a precaution, and the latter [*sic*] committing overt acts and further threats. The situation is still critical but less murdering on the streets. Tension is high here. Last Thursday Federico Tinoco sent telegram to his brother Joaquin translated from the Spanish as follows:

"The revolts which have been dispersed today have been almost all in front of the Consulate. Several times shots have been fired towards the building on account of enemies of the Government being concealed there and they fired upon our men and we shall be freed from appeal [*sic*] on account of these enemies being kept there."

No refugee had been in Consulate until driven there within five minutes of the shooting and none since that day. No connection with Consulate was armed.

CHASE

818.00/714

*Memorandum of Mr. E. G. Greene, of the Division of Latin American Affairs of the Department of State*

[WASHINGTON,] June 16, 1919.

At the request of Mr. Phillips, Mr. Greene today asked Mr. Lefevre, Panaman Charge d'Affaires at Washington, to call at the Division

<sup>12</sup> Not printed.

in order that there might be conveyed to Tinoco a message through Señor Lara, the Agent of the Costa Rican Government in Washington.

Mr. Greene informed Mr. Lefevre that the Department was continually receiving telegrams from Mr. Chase, American Consul at San Jose, to the effect that his life as well as that of other Americans, was in danger on account of the reported revolution at San Jose. Mr. Greene stated that the Department was not in a position to judge exactly how accurate the reports of Mr. Chase were, but owing to the persistent reports of Mr. Chase, it was felt that something should be done. Mr. Greene went on to say that the United States Government had absolutely no desire to intervene in Costa Rica, and that he could see no object on the part of the Government of Costa Rica in harming any Americans. He, therefore, suggested to Mr. Lefevre that he speak to Mr. Lara with a view of having Tinoco allay the fears of Mr. Chase in regard to his safety and of that of other Americans in Costa Rica.

Mr. Lefevre said that he understood perfectly what was wanted and would be only too glad to comply with the suggestions of the Department.

E. G. G[REENE]

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818.00/725

*The Attorney for Costa Rica (Hazelton) to the Acting Secretary of State*

WASHINGTON, June 17, 1919.

MY DEAR MR. SECRETARY: I take the liberty of enclosing herewith a copy of a cablegram received yesterday from the President of the Republic of Costa Rica by his representative in this city.

The situation set forth in this cablegram is one which should be called to your attention, and in that connection I am authorized to say that tranquility exists in every portion of the Republic of Costa Rica, and there is not [no] necessity whatever for the landing of marines, or the employment of any force of any character for the protection of American life or property there.

And, I may add that the actual government of Costa Rica deems itself fully competent of coping with the situation.

In consequence of this, I venture to request that the necessary order be given for the retirement of the American cruiser from Costa Rican waters, as it places the government and people of Costa Rica in a false position in the eye of the world, as being under the ban of a foreign power which they do not merit.

The Government and people of Costa Rica are not only the excellent friends of the United States, but the authorities are sufficiently strong to give complete and absolute protection to American Citizens, as well as to all foreigners, and there is no higher evidence of this than the testimony already furnished by said cablegram of the action of the group of diplomatic representatives of foreign powers in Costa Rica, and I am able to inform your Excellency that I am reliably informed by more than ninety per cent of the American interests with large investments in Costa Rica, that they are receiving ample protection from the Government of Costa Rica not only within its borders, but in repelling hostile invasions from Nicaragua over which this Government, through the Department of State has ample control, and from many of these there comes an expression of dissatisfaction with the attitude of the American Consul, Mr. Chase, in the conduct of his office as a representative of a foreign government, which would seem to suggest that the substitution of a more gracious appointee in his place might go far to remove the irritation that his occupancy of the office seems to create.

Sincerely yours,

GEO. C. HAZELTON

[Enclosure—Telegram]

*President Tinoco to the Costa Rican Agent in the United States  
(Lara)*

SAN JOSÉ, *undated.*

This morning an American Cruiser arrived at the Port of Limon with orders to land marines for the pretended protection of the American Consul and American citizens.

This outrage is the result of untruthful information of the American Consul, Chase. Costa-Rica is absolutely tranquil, and the Government solid and strong, guaranteeing life and property of foreigners.

The Captain of the Cruiser declared that before landing marines he would wait for new instructions from Washington.

The Diplomatic Corps and some Consuls telegraphed to the Captain of the Cruiser that in view of his purpose, they stood ready to inform him that the landing of marines was absolutely unnecessary in view of the tranquility reigning in Costa-Rica and to that effect they would go to Limon or the Diplomats would receive him in the Capital.



The Captain said that he would ask for further instructions from Washington.

My Government hopes that friends of justice and right in Washington will give their support as it is more than cruel that Costa Rica having given to the American People the use of its ports and waters in the Great War against Germany should now, in exchange, be treated with baseless and unnecessary injustice.

[No signature indicated]

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818.00/703 : Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, June 18, 1919, 5 p.m.

[Received June 20, 9 a.m.]

Confirming June 17, 5 p.m.<sup>13</sup> A vast majority of the people want immediate American intervention as no adjustment which longer retains Tinoco in power will appease them. The United States refusal to recognize Tinoco has resulted in trust in our Government and not in the Latin Americans who have recognized him. Latter diplomatic representatives in Costa Rica, seeing that nothing else will be acceptable to the people, are reported to have asked him to resign. If their attempts do not succeed soon there is likely to be an uprising with serious consequences. Tinoco's refusal of resignation, in spite of emphatic popular demand, leaves the people no other recourse than intervention or slavery. The tense calm now is only caused by the hope that these proposals will end in his prompt abdication. If they do not accomplish the purpose and our Government does not act promptly American life and property will be again in great danger. Americans well acquainted with the situation state that the attitude of the United States, by non-recognition, has engendered enmity of Tinoco and gratitude of the people but by the alleged prohibition against the opposition obtaining arms to dispossess the usurpers we will if this is true lose the confidence of and engender the enmity of the masses. The people are helpless and without arms and ammunition but they are willing to sacrifice themselves to obtain a government that will insure their rights and liberties as they have proved. The presence of our war vessels at Limon has been and is indispensable in saving life and property pending change in the government.

CHASE

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<sup>13</sup> Not printed.

818.00/698 : Telegram

*The Chargé in Panama (Offutt) to the Acting Secretary of State*

PANAMA, June 18, 1919, 11 p.m.

[Received June 19, 9.10 a.m.]

Legation's May 13, 3 p.m.,<sup>14</sup> and May 20, 2 p.m.<sup>14</sup> Nicaraguan Chargé d'Affaires here has just been informed by his Government that Julian Irias, former adherent of Zelaya and now adviser of Tinoco and commander of his troops, has recently left San Jose, his destination being unknown though it is thought that Tinoco is in a very bad plight and mission of Irias might be to arrange for escape of Tinoco.

Fiscal Agent Ruan reports that reliable American commercial traveler just returned from San Jose told him that Tinocos were selling out their interests in Costa Rica and that general consensus of opinion in San Jose was that Tinocos could not hold out much longer and would probably flee from country.

*Star and Herald* of today prints interview with Senor Clare, acting Costa Rican Consul General here and brother of manager of newspaper *La Informacion*, in which Clare blames recent uprising of schoolmasters in San Jose to Bolshevism. Article concludes with query as to whether this is real reason for disturbance, implying that movement directed against Tinoco.

In letter to Canal Zone commissary authorities Mr. Gilmartin, their produce buyer in Costa Rica, who was in San Jose during the recent manifestations, says that none of American colony there consider there is any danger for Americans except the Consul, who is particular object of Government's hatred. States that 90 per cent of the people are restless but helpless and if marines come, even solely to protect the Consulate, Tinoco government would be overthrown within 24 hours. Cartago mentioned as quiet but "jumpy" and that [omission] be an uprising there if people could get hold of 50 rifles.

OFFUTT

818.00/702 : Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, June 19, 1919, 9 a.m.

[Received June 20, 6.28 a.m.]

Three prominent Costa Rican citizens have asked that an inquiry be directed to our Department of State as to whether our Government

<sup>14</sup> Not printed.

would consider favorably a request for intervention if presented through me by some of the representative Costa Rican citizens. Owing to great risk of losing their lives it will not be presented unless sure of favorable consideration. They request a reply by cable.

CHASE

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818.00/702: Telegram

*The Acting Secretary of State to the Consul at San José (Chase)*

WASHINGTON, June 20, 1919, 4 p.m.

Your June 19, 9 a.m.

You are instructed not to interest yourself in any way in matter at this time.

POLK

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818.00/708: Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, June 20, 1919, 6 p.m.

[Received June 21, 10.45 a.m.]

The commander of *Castine* now at Limon has advised me that he must go to Colon for coal about June 25th and does not know whether another ship will be sent to relieve him and said that he would communicate my recommendation. I have answered him as follows:

"I most earnestly recommend and request that another ship be there during your enforced absence; it is absolutely essential to make safe American life and property if Tinoco is still in control which now seems likely even though he offers all kinds of guarantees."

Joaquin Tinoco told his brother-in-law yesterday that they had no intention of quitting, that they were fooling the Latin American diplomatic representatives and getting their army in shape, that the only thing in the way was the Americans and they would perhaps get their warship away and everything would be settled. The same man called on Federico Tinoco and talked with his wife who said that they had no thought of quitting. It is reported that Joaquin called up the police stations very early this morning and told them that the Tinoco government was organized and established until 1922 and that their monthly pay has been increased. They continue imprisoning leaders of the opposition and fortifying themselves. Nothing but their immediate elimination will lead to law and order and safety.

CHASE

818.00/730

*The Consul at San José (Chase) to the Acting Secretary of State*

No. 597

SAN JOSÉ, June 21, 1919.

[Received July 2.]

SIR: I have the honor to report that, owing to the constant complaint as to Americans taking part in aid of the various factions in Costa Rica, the following notice was posted in the Consulate on June 15, 1919.

## "NOTICE TO AMERICAN CITIZENS

"In the present situation of affairs in Costa Rica you are most earnestly requested not to give any offence or support to any faction whether in control or not."

Copies were given to some Americans. Naturally those who are aiding Tinoco and who have been doing everything they can to injure the Consul both here and at home did not have copies and could only hear of it through others. No copies were sent out by mail.

I have [etc.]

BENJAMIN F. CHASE

818.00/713: Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, June 22, 1919, 3 p.m.

[Received June 25, 8.32 a.m.]

Confirming my June 20, 6 p.m. Consul Lawton arrived here last night.

It is reported that Federico Tinoco told the Latin American diplomats last night that he had things well in hand here in [omission?] that he could quickly suppress the invasion and the gunboat was going soon as also Consul Chase and he had no reason for quitting as the greatest part of American interests were supporting him.

CHASE

818.00/715: Telegram

*The Acting Secretary of State to the Ambassador in France (Wallace)*

[Extract]

WASHINGTON, June 25, 1919, 2 p.m.

8734. For the attention of the President:

The Chilean Ambassador called at the Department today and stated that the Chilean Minister to Costa Rica was called by Pres-

ident Tinoco, who stated to him that he was disposed to leave the presidency under the following conditions: First, that the American Consul should be put in jail. Second, that we should withdraw the American naval vessel now at Port Limon. Third, that the congress, upon the resignation of the President, should name as provisional president Don Mariano B. Quiros, a former member of the Cabinet of President Gonzalez, and who is acceptable to the people of Costa Rica. Fourth, that the United States Government should recognize this provisional government. The President proposes to leave the country accompanied by Joaquin Tinoco, who will possibly be named Costa Rican Minister to the Argentine or Brazil.

POLK

818.00/748

*The Consul at Guatemala (Lawton), Temporarily at San José, to  
the Acting Secretary of State*

[Extract]

SAN JOSÉ, June 28, 1919.

[Received July 9.]

SIR: I have the honor to submit the following report of my arrival in Costa Rica and of my observations of the general conditions in this city.

Confidential. I arrived in Punta Arenas on the morning of June 21, 1919. I endeavored to conceal as much as possible, my connection with the Department, because Consular Agent Saxe informed me that the Tinoco officials had instructions to extend all manner of courtesies to me and on this same account, I came to this capital in the afternoon and night of the same day I arrived, by gasoline car (railroad) in order to arrive late at night and avoid any embarrassment from possible attentions of officials of the *de facto* government.

Up to the time of my arrival, Mr. Chase had not left the consulate after the incidents of the shooting in front of the consulate of June 12th. but took his meals and slept in the consulate. I persuaded him to resume his usual custom of going to the hotel for his meals and to his rooms at night. He is however, apprehensive of being attacked by agents of either political party and never appears on the street unaccompanied.

I have had numerous calls from persons who usually represent themselves as neutral, politically, but who usually show unmistakable signs of being Tinoco adherents. These invariably come to my room at the Hotel, while pronounced revolutionary sympathizers invariably call to see me at the consulate. One official of the Tinoco

government also called on me at the hotel and informed me that he came by instructions of "President" Tinoco to offer me any service I might desire and to express regret that the plans for my reception at the port and journey to this city had miscarried. (It seems that a commission which was sent by special train to receive the "new American Consul" who was expected on a small ship which arrived at Punta Arenas some five days before I arrived, received instead a British representative of the English firm of C. & E. Morton & Co. and brought him to this city, gave him a buffet lunch, took him to the best hotel and finally to see Tinoco and not until he presented his card there, as a salesman for pickles and Lee & Perrins sauces, was the mistake of identity discovered.)

In all cases I have endeavored to listen to these callers as courteously as possible and to say as little as possible without expressions in favor of or opposed to any person or party.

I think it may be of interest to the Department for me to present the following statement of the incident of June 12th which is correct as nearly as I can learn from the various accounts I have heard. The school teachers had protested against certain governmental orders and together with a group of students had held a manifestation in one of the parks. Then they came to this consulate, ostensibly as an expression of admiration of American ideals but really in a political sense and spirit. After a considerable time during which there were "vivas" for the United States as also for the revolution, Mr. Chase spoke to them from the balcony, thanking them for their expressions of admiration for our country and urging calmness and that better days were coming. About that time, the police began to disperse the crowd by striking at the teachers and children with the leather thongs on their clubs. At that, every one who could, crowded into the consulate. Two school boys, each of about 15 years of age, began firing on the police from the consulate balcony which is on the second floor of the building, the lower floor being occupied as a store. They had revolvers and fired several shots each. One of the boys is Jorge Calzado, a Porto Rican and the other is \_\_\_\_\_ Zelaya, a Costa Rican. Then the police fired, presumably in the air, as no one was struck with bullets, except a man who was shot in the foot and evidently this shot came from the balcony. During all this time Mr. Chase stood exposed on the balcony, though every one else fled. Soon the police reserves came up and the crowd fled and the police retired but left a guard at each end of the block. The balance of the day, quite a number of refugees remained in the consulate but left before night, although the two boys named took refuge then and are still in hiding in the building but on the ground floor under the consulate and in rooms over which the consulate has no control.

The Tinoco officials have repeatedly stated that refugees are given asylum in the consulate, and on this being emphatically denied, have admitted that the persons to whom they refer are in the rooms of one Mr. Harrison, who is the ground floor tenant, and this is true. I have complained to Mr. Harrison that he is jeopardizing American interests and complicating matters for the consulate, by allowing them asylum there. The government has intercepted letters of persons who wrote that they were safely in the "American Consulate" and were really unknown to the consulate in any way. Under the circumstances it is difficult to persuade any one that this consulate is not a party to their asylum. Mr. Harrison has promised me to send them away. As many as fifteen people, alleged political offenders, have been living there.

I have [etc.]

E. M. LAWTON

818.00/756

*The Consul at Port Limon (McMillin), Temporarily in the United States, to the Acting Secretary of State*

[Extract]

No. 105

ARKANSAS CITY, KANSAS, *July 3, 1919.*

[Received July 10.]

SIR: I have the honor to report the following with regard to the recent political disturbances in Costa Rica up to the time of my departure on June 22nd on leave of absence.

On the afternoon of June 13th American Consul Chase in San Jose sent telephone messages to me which stated that American lives and property in San Jose were in danger, and requested that these messages be wired at once to Commander Porterfield at Bluefields, Nicaragua in charge of the gunboat *Castine*. This was done.

At 7:00 A.M. of the following day the *Castine* came to anchor in Limon harbor some fifty rods from the wharves where she still remained at the time of my departure for the United States. No guns were fired and no flags were flown save those of our own nation.

An hour later I received an official call from Commander Porterfield. Together we conferred on the situation. He told me that the urgency of Consul Chase's call for protection for American lives and property had brought him to Limon without orders from Washington and that he thought it would be highly rash and inadvisable and certain to involve our country in some undesirable way and to commit it to an undesired course if he were to proceed without such

orders unless lives and property of American citizens were actually in serious and immediate danger. He therefore thought it well to remain in Limon for the present and would appreciate any information I might have to offer which would throw light on the situation.

In Limon there has been absolutely no trouble and no demonstrations involving American citizens and property. Frequently of late and in order to satisfy myself of the Costa Rican's feelings toward us, I have gone alone on foot all over the city of Port Limon by day and between the hours of eight and twelve at night, and I have never received nor known any other American—save perhaps a drunken seaman—to receive even a hostile or averted look. On the contrary we have received the most courteous and friendly treatment from citizens and officials alike. Property is absolutely safe. In the light of our present attitude toward Costa Rica it is clear that embarrassing situations must at times arise, especially at social gatherings where American representatives and Costa Rican officials are both present, but there is nothing to show really bad feeling for us on the part of Costa Rican Government officials.

To the Commander of the *Castine* I spoke of all this and added that I had talked with a number of Americans from San Jose whose experiences there had been the same. All evidence appears to show that while there has been great dissatisfaction in San Jose the present government and various small affrays with the police all has been between the different factions of Costa Rican population itself and has in no way affected American lives or property.

Commander Porterfield then said that what had occurred among the Costa Ricans themselves and what might occur among them in the future was no concern of his so long as it did not affect American lives and property and that he intended to proceed very slowly and cautiously until he could receive orders from Washington, and felt that if he acted hastily or injudiciously the consequences might and very probably would be deplorable.

I described to him the mountainous country and showed how perilous would be the situation for a trainload of marines going through it with bridges being blown up in front and behind the train. We agreed that if troops had to be sent into the interior it must needs be under the protection or at least permission of the Costa Rican officials. I added that I did not wish to influence him in any way, especially if American interests in San Jose might really be imperilled, but that I thought it well to be certain that the situation really demanded it before landing marines, and that in the light of the testimony of several citizens of San Jose—all with whom I had spoken—I did not, with all due respect to the opinion of Consul



Chase, believe that either lives or property were in danger, and that there is such a thing as being too close to a thing to see it properly.

Commander Porterfield then spoke by telephone with Consul Chase in San Jose and arranged for hourly telephonic communication with him over the wires of the United Fruit Company, an agreement being reached that the troops were to be landed only in case of unmistakable peril to American interests there and the Consul's positive demand for their presence.

Afterward we unofficially visited Antonio Castro, governor of Limon city and district. He was informed that the *Castine* had come to Limon harbor at the urgent request of Consul Chase to protect American lives and property, and that no other purpose was intended. He was further informed of the arrangement made for hourly communication with Consul Chase and told that so long as American interests were safe no landing would be made. The governor replied that absolute protection would be afforded the American Consulate, Consul Chase, and to all American interests.

We then visited Mr. G. P. Chittenden, General Manager of the United Fruit Company in Costa Rica, who offered to put at the disposal of Commander Porterfield at the shortest notice whatever cars he might need for the transportation of the marines to San Jose. In every other possible way Mr. Chittenden has aided us and has served Consul Chase. Regardless of possible complications for the company and regardless of great inconvenience to it and to himself Mr. Chittenden has always stood ready to do whatever good American citizenship appeared to dictate. Or so I have found him.

Hourly communication by day and by night has been maintained with the Consulate in San Jose, and up to the time of my departure on the night of June 22nd everything was reported quiet and [things] were apparently almost normal. A heavy guard of mounted Costa Rican policemen was ranged about the Consulate, though the words of Americans arriving in Limon indicated that it was not really needed.

On the morning of June 19th a delegation of diplomats accredited to Costa Rica came to Limon to confer with Commander Porterfield, to submit information which they had at first hand, and to offer their services in arriving at a happy solution of the situation. The delegation consisted of Julio C. Garces, Envoy Extraordinary and Minister Plenipotentiary from Chile, and Horacio Fernandez, his First Secretary of Legation, A. J. A. Murтинho, Chargé d'Affaires of Brazil, Adolfo Confuegos, Secretary of the Mexican Legation, and of J. Margeirat, Consul General from Argentina. Mr. Chittenden's secretary, Mr. Farrer, was present in the capacity of interpreter.

As the representative of the State Department in Limon Commander Porterfield invited me to be present.

Under the circumstances the delegates waived their rights to salutes from the vessel, and the persons named proceeded aboard.

Commander Porterfield put many questions to the ranking member of the delegation—the Chilean Minister—which together with the answers will have reached the State Department before this in his reports. The substance of the information afforded us was that the troubles in San Jose have been entirely revolutionary and between the government and Costa Rican citizens dissatisfied with it, that neither American citizens nor property has been in danger, and that the force of Costa Rican government troops and police on hand or available are entirely capable of handling the situation.

Commander Porterfield then asked me if I had any questions to ask. I replied no; that I felt he had pretty thoroughly covered the situation.

I have [etc.]

STEWART E. McMILLIN

818.00/733

*The Costa Rican Agent (Lara) to the Acting Secretary of State*

WASHINGTON, July 3, 1919.

EXCELLENCY: I regret to say that I am compelled to inform again Your Excellency that notwithstanding the many advises already given to Your Excellency in due time of hostile combinations being publicly organized in Nicaragua and of the invasion of the territory of Costa-Rica with its disastrous consequences, a second invasion has taken place within the territory of Costa-Rica during the last week.

And this notwithstanding Costa-Rica has proposed to Your Excellency that upon reliable assurance that this hostile movement should cease and these armed forces be concentrated within the interior of Nicaragua, the Government of Costa-Rica would withdraw its army to the end that hostilities on the part of Nicaragua might cease and Costa-Rica be relieved from the burden of maintaining an army for defensive purposes in a causeless warfare on the part of Nicaragua.

I may inform Your Excellency further that this last invasion was put to flight and took refuge within the territory of Nicaragua. The invaders were for the second time routed and expelled from the Costa-Rican territory, but when they were flying in defeat and arrived to the bounding line in [*sic*] the side of Nicaragua, they shot against the troops of Costa-Rica and the Nicaraguan Government has refused once more to comply with the duties of a neighbouring country by disarming and concentrating the revolutionists.

The aim of this note is not that of insisting with the Government of the United States in order to obtain the stop of a repetition of such outrageous attempts from the Government of Nicaragua against a country like Costa-Rica that has been such a sincere friend of the American people,—no, I consider useless to insist upon something that up to the present time has not been obtained. My only wish is to present facts before Your Excellency.

I am [etc.]

CARLOS LARA

818.00/745: Telegram

*The Minister in Nicaragua (Jefferson) to the Acting Secretary of State*

MANAGUA, July 7, 1919, 11 a.m.

[Received July 8, 3.25 p.m.]

Nicaraguan Minister for Foreign Affairs informed me that he received a telegram from Salvadorean Minister for Foreign Affairs calling attention to the recent events that have taken place in Costa Rica and the gravity of the situation and the possibility of American intervention resulting therefrom, and the necessity of joint action of the Central American States to adopt some plan of action to bring about a solution of impending difficulties. Salvadorean Government requests the Nicaraguan Government to offer such suggestions as it may judge most convenient and expedient. Nicaraguan Government replied to the effect that it approves important step taken by Salvadorean Government and suggests that it take up the question with all Central American States; that the Nicaraguan Government adheres to the principles of the Washington convention of 1907 and therefore suggests that the respective Central American States proceed to recall their recognition of the Tinoco government; this should be done within the next 30 days. This done it would place the several Governments on an equal footing and then they could proceed to unite in formulating a plan of concerted action.

JEFFERSON

818.00/762: Telegram

*The Consul at San José (Chase) to the Acting Secretary of State*

SAN JOSÉ, July 14, 1919, 4 p.m.

[Received July 16, 12.40 a.m.]

Consular Agent Saxe reports increasing aggravated conditions in Puntarenas, including forcible search by soldiers of one American home and an American seaman robbed of \$40 by Tinoco soldiers.

Also continued fighting on the Nicaraguan frontier. He suggests, and I strongly recommend sending naval vessel Puntarenas, at least for time. *Castine* must go to Colon for repairs.

CHASE

818.00/765

*The Costa Rican Agent (Lara) to the Acting Secretary of State*

WASHINGTON, July 15, 1919.

EXCELLENCY: In accordance with instructions that I have received from my Government, I have the honor to inform Your Excellency that for the third time the invaders who came from the neighbouring Republic of Nicaragua, have been routed and expelled from the Costa-Rican territory. Those mercenaries once more have found refuge in the Nicaraguan soil and are now living and receiving provisions in the very same quarters of the forces of the Nicaraguan Government.

The Government of Costa-Rica,—with the aim to avoid incidents that every day are provoked by the forces of the Government of Nicaragua,—has deemed properly to withdraw its forces more than fifty kilometers away from the bounding line of both countries.

I also take leave to inform Your Excellency that peace and tranquility are reigning in the whole territory of Costa-Rica, and my Government,—knowing that certain false rumors about riots and disorder in the interior of my country have reached the Department of State,—hastens to assure that said rumors are baseless and due only to the intrigues of unscrupulous enemies that do not even stop to abuse the good faith of certain governments.

Accept [etc.]

CARLOS LARA

818.00/778: Telegram

*The Minister in Nicaragua (Jefferson) to the Acting Secretary of State*

MANAGUA, July 21, 1919, 3 p.m.

[Received July 22, 2 p.m.]

President Chamorro specially requested today that I ascertain from the Department the position it proposes to take in reference to the prompt settlement of the Costa Rican question. Nicaraguan citizens in Costa Rica have been unjustly treated by Tinoco; also commerce on the San Juan River interfered with.

JEFFERSON

S18.00/823

*Vice President Marshall to the Secretary of State*

WASHINGTON, July 25, 1919.

DEAR MR. SECRETARY: The rules of the Senate provide that no communication from a foreign government shall be handed down, unless transmitted by the President.

I accordingly hand you the enclosed for his determination.

Very respectfully,

THOS. R. MARSHALL

[Enclosure—Telegram]

*The National Congress of Costa Rica to the Senate of the United States*

SAN JOSÉ, July 25, 1919.

The National Congress of Costa Rica formed by the House of Representatives and the Senate greet the Senate of the United States and want to put before your high knowledge that last Saturday nineteen of July a fourth filibuster invasion came into the Costa Rican territory coming from Nicaragua. This has happened although the Nicaraguan Government has declared several times its neutrality and also having put before Washington through its Legation on the ninth of June last that the invasions had ended and that the Nicaraguan authorities on their border line had concentrated and disarmed the said filibusters. This invasion has been defeated like the others by the Army of Costa Rica but the filibusters are actually on the other side of the Costa Rican border without being disarmed or concentrated by the Government of Nicaragua as it is expressly ordered in the Peace and Friendship Treaty signed at Washington the twentieth of December nineteen hundred and seven by the Central American Government of Nicaragua. In the note of its Secretary of State to the International Central American Office on the 20th of May ultimo transcribed immediately by said Office in their note of the 21st of June Congress of Costa Rica contemplated with satisfaction the noble and justible [*justifiable?*] attitude of the Senate of the United States of America when [it] ordered the investigation of the motive of the transgressions that this nation is suffering from the Government of Nicaragua which is today under the protection of the United States Marines. The Congress of Costa Rica has the most high faith in the intervention of the Senate of the United States of America and that it will be of a great benefit for the peace of this small republic who is strictly fulfilling its international duties and where the foreign colonies live and work under a perfect peace and tranquility under the strength of the law always considered

and esteemed and without any one of their members having a cause for a complaint and where although [in spite] of the actual invasions from Nicaragua the course of commerce and of the work is always maintained. It is in view of all those notorious circumstances that the Congress of Costa Rica defending the interests of all our people and so that it may be taken account of in the before mentioned investigation and that to inform that high body of the new attempt of which it has been the victim we offer to demonstrate with the affidavits of the prisoners of war from Nicaragua the protection which that country has given and now gives to the filibusters by donating men, machine guns and ammunition taken by officers of the active service of the Government in the military arsenals at Managua and transported to the border with the overlook and help of the Nicaraguan authorities.

FRANCISCO A. SEGREDA  
*Secretary of the Senate*  
 JULIO ESQUIVEL  
*Secretary of the House  
 of Representatives*

818.00/745 : Telegram

*The Secretary of State to the Minister in Nicaragua (Jefferson)*

WASHINGTON, July 28, 1919, 3 p.m.

Your July 7, 11 a.m. Department has received note from Minister of Salvador in Washington<sup>15</sup> informing it that Salvador had suggested to Governments of Central America that joint action might be taken with beneficial result in order to secure peace in Costa Rica.

Department has informed Minister of Salvador that this plan, which seems to be in harmony with the spirit of the Washington Conventions, has been regarded by the Department with sympathetic interest.

You may informally inform Minister for Foreign Affairs that this Government considers the answer made to Salvador by the Nicaraguan Government regarding the suggestion of Salvador, to be a proper one.

LANSING

818.00/793a : Telegram

*The Secretary of State to the Chargé in Guatemala (Thurston)*<sup>16</sup>

WASHINGTON, July 28, 1919, 4 p.m.

Department has received note from Minister of Salvador in Washington stating that Salvador had sent a circular telegram to Central

<sup>15</sup> Note, dated July 7, and reply, July 14, not printed.

<sup>16</sup> The same, July 28, to the Minister in Honduras.

American Governments to the effect that joint and friendly action might take place with a beneficial result to the peace of Costa Rica.

Department informed Minister that note describing this project, which seems to be in harmony with the spirit of the Washington Conventions, had been read with sympathetic interest.

The Government of Nicaragua has informed the Government of Salvador that it suggests the respective Central American states should recall their recognition of the Tinoco Government, which would seem to be a proper course.

Minister of Salvador in Washington has informed Department that he is certain the action of his Government was not taken with a view to strengthening Tinoco but rather in an endeavor to bring about constitutional order in Costa Rica.

LANSING

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**Surrender of Power by the Tinocos: Assassination of Joaquín; Departure of Federico, August 12—Succession of Juan B. Quirós as Acting President; Refusal of Recognition by the United States—Transfer of Power to Aguilar Barquero—Good Offices of the United States and Nicaragua for the Reconciliation of Leaders and the Holding of an Election—Election of Julio Acosta**

818.00/800: Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, July 30, 1919, 3 p.m.

[Received August 2, 7.45 p.m.]

Tinoco called extraordinary session of Congress to meet August 1 for sundry announced purposes. The regular session expires tomorrow. Yesterday the Congress authorized Tinoco to make peace with Germany.

Rumor circulated again that Tinoco will leave Costa Rica soon with Juan B. Quiros to succeed him, and the Mexican Minister is to secure the approval of Julio Acosta while in Nicaragua. Quiet for a few days, no new outrages reported.

CHASE

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818.00/803: Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, August 1, 1919, 5 p.m.

[Received August 4, 11.25 a.m.]

Federico Tinoco in Congress this afternoon asked its permission to leave the country on account of illness but he said nothing about resignation. Every indication a complete change in the government very soon. Joaquin said farewell to the police this morning.

CHASE

818.00/807

*Resolution of the Senate of the United States*

S. Res. 105                      IN THE SENATE OF THE UNITED STATES,  
August 2, 1919.

*Resolved*, That the President be, and he is hereby, requested to inform the Senate, if not incompatible with the public interest, whether Nicaragua has been and is now permitted, with armed forces, to invade and to threaten with invasion the territory of Costa Rica, or has permitted armed bands to organize or rendezvous within her territory for such purposes: And be it further

*Resolved*, That the President be, and he is hereby, requested to inform the Senate, if not incompatible with the public interest, for what reason Costa Rica, a belligerent with the Allies in the war just ended, was not permitted to sign the treaty of peace at Versailles.

Attest:

GEORGE A. SANDERSON  
*Secretary*

818.00/808: Telegram

*The Chargé in Guatemala (Thurston) to the Secretary of State*

[Extract]

GUATEMALA, August 5, 1919, 9 a.m.

[Received August 6, 11 p.m.]

Department's July 26 [28], 4 p.m.<sup>17</sup> Informally discussed this with President Cabrera who states he declined to accede to Salvadorean plan which he believes to have been inspired by Mexico. He stated he knew nothing of the Nicaraguan proposal.

THURSTON

818.00/789: Telegram

*The Secretary of State to the Consul at San José (Chase)*

WASHINGTON, August 9, 1919, 3 p.m.

Rumor has it that the Tinoco Brothers have fled from Costa Rica. Wire facts.

LANSING

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<sup>17</sup> *Ante*, p. 847.



818.00/816 : Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, August 10, 1919, 8 a.m.

[Received August 11, 10 a.m.]

Last night in Congress Joaquin Tinoco resigned as Designado and Juan B. Quiros selected. Later report Federico to go abroad.

CHASE

518.00/820 : Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, August 11, 1919, 9 a.m.

[Received August 12, 4 p.m.]

Your August 9, 3 p.m. Joaquin Tinoco was assassinated last night. Funeral takes place this morning.

CHASE

818.00/826 : Telegram

*The Vice Consul at Port Limon (Montgomery) to the Secretary of State*

SAN JOSÉ [PORT LIMON], August 12, 1919, 5 p.m.

[Received August 16, 12.48 a.m.]

Tinoco and party of 26 men, women and children sailed from here at three this afternoon for Kingston on steamer *Zacapa*.

MONTGOMERY

818.00/831

*Mr. Alfredo González to the Secretary of State*

WASHINGTON, August 13, 1919.

YOUR EXCELLENCY: It is reported that a change of government took place in Costa Rica within the last few days and in this connection I beg to state that I have received cablegraphic instructions from the leaders of the Costa Rican forces, that since last May have been fighting the army of the dictator of Costa Rica in the northern territory of the country, to inform the government of the United States that they will not recognize any government which is not constituted according to the Constitution of the Republic and that the forces at their command will firmly continue the campaign in which they are now engaged until the constitutional government is reestablished.

They demand that the government be entrusted to the third Vice President under the constitutional order, Mr. Francisco Aguilar

Barquero, who after assuming the functions of the government will call the people to general elections.

No other solution of the political situation created in Costa Rica by the treacherous rebellion of Federico Tinoco will be deemed acceptable and it is a motive of special gratification to us that our attitude is in harmony with the spirit and intention of the policy pursued by the government of the United States in refusing recognition to the persons who usurped the national power of Costa Rica through the armed rebellion of January 27, 1917.

Juan B. Quiros, who was a member of Tinoco's government, is the person reported to have been appointed by him as his successor. His is not a new or different government; it is merely a continuation of the illegal and disreputable regime set up by Tinoco.

I am [etc.]

ALFRED GONZÁLEZ

818.00/829: Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, August 13, 1919, 11 a.m.

[Received August 16, 12.49 a.m.]

Juan Bautista Quiros selected by Tinoco as Designado and approved by his Congress took charge yesterday as Acting President. His Cabinet consists of Guillermo Vargas Minister of Foreign Affairs, Grace, Justice, Religion and Charity; Alejandro J. Aguilar, Minister of Gobernacion, Police and Fomento; Manubri Angliform [*Manuel Aguilar?*] Minister of Hacienda and Commerce; Fannastio [*Faustino?*] Camacho Minister of Public Instructions; Victor Manuel Rendos Minister of War and Marine; two first named were of Tinoco Cabinet. Quiros issued a proclamation making promises of reforms and liberty to all citizens but said nothing about elections.

A manifestation for elections was attempted yesterday morning but suppressed by the police. Prisoners are being released, streets still under the surveillance of armed guards.

Quiros has told a prominent citizen to whom he offered a Cabinet office that he is entitled to prompt recognition of his government by the United States and to serve for the balance of the Tinoco term of office. It would seem to be [advisable?] that it be publicly known soon if the attitude of our Government remains as expressed in cablegram February 9th, 1917, to the Legation.<sup>17</sup> It is doubtful whether Tinoco told Quiros of that decision. There is likely to be serious trouble unless an election is to be held very soon as there is a strong demand for it.

[No signature indicated]

<sup>17</sup> *Foreign Relations*, 1917, p. 307.

818.00/830

*The Secretary of State to President Wilson*<sup>18</sup>

WASHINGTON, August 16, 1919.

THE PRESIDENT: In reply to the inquiries in the Senate resolution<sup>19</sup> specified in his transmitting letter,<sup>20</sup> concerning the relations between Nicaragua and Costa Rica, and the reason for which Costa Rica was not permitted to sign the Treaty of Peace of Versailles, the undersigned, the Secretary of State, has the honor to report as follows:

The Government of the United States has consistently used its best efforts to maintain peace in Central America. Actuated by this motive, whenever information has reached it tending to indicate that any persons within the territory of Nicaragua were contemplating passing from that country to territory of the Republic of Costa Rica for the purpose of engaging in armed political movements, the Government of the United States has made representations to the Government of Nicaragua calling that Government's attention to the usages of international comity and international law.

The spirit which animated the Government of the United States and the Government of Nicaragua in becoming Signatories of the Treaty of Washington, and which was set forth in that Treaty, was also invoked in this relation.

On November 4, 1918,<sup>21</sup> the Department of State instructed the American Legation in Nicaragua, in view of reports of revolutionary activities in that country against Costa Rica, to recall to the attention of the President of Nicaragua a statement of the attitude of the United States in this matter, which was cabled to the Legation by the Department on June 4, 1918,<sup>22</sup> for communication to the President of Nicaragua, with the object of obtaining the exercise of his good offices in preventing any such activities.

The same instruction of November 4, 1918, also directed the Legation to communicate to the President of Nicaragua the contents of a cablegram sent to the American Legation in Honduras on October 26,<sup>23</sup> 1918, for communication to the President of that country, in which a statement was made to the effect that, while the Government of the United States was aware of the unfortunate conditions exist-

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<sup>18</sup> Transmitted to the Senate, Aug. 21; see S. Doc. No. 77, 66th Cong., 1st Sess.

<sup>19</sup> S. Res. 105, p. 849.

<sup>20</sup> President's letter of Aug. 5 not printed.

<sup>21</sup> *Foreign Relations*, 1918, p. 270.

<sup>22</sup> *Ibid.*, p. 265.

<sup>23</sup> Should be Nov. 4; it was sent in reply to a telegram of Oct. 26 from the Legation in Honduras, *ibid.*, p. 270.

ing in Costa Rica, it could not give its approval to any use of force against Costa Rica or the persons exercising *de facto* authority there.

On January 27, 1919, the Legation to Nicaragua was instructed,<sup>24</sup> in view of reports of military activity in Costa Rica which, it was thought, might be due to expectation of an attack, to bring the above information again to the attention of the President of Nicaragua. On April 29, 1919,<sup>25</sup> the Legation was instructed to express this Government's hopes that Nicaragua would be guided in this matter by considerations of international comity. On May 23 [3<sup>d</sup>], 1919,<sup>26</sup> it was stated, in an instruction to the Legation, that the Department of State desired to urge upon the President of Nicaragua that Nicaragua not only remain strictly neutral, should a conflict arise between Mr. Tinoco of Costa Rica and his opponents, but also fulfill its duty carefully by preventing the organization of expeditions in Nicaragua.

Paraphrases of the telegraphic instructions mentioned, and a copy of a letter of the Acting Secretary of State to the senior Senator from New Hampshire, on this subject, are enclosed.<sup>27</sup>

The President and Government of Nicaragua have responded in a gratifying manner to the requests for their cooperation, and the efficacy of the steps taken to preserve peace in Central America is indicated by the fact that the Government of the United States is not advised of any serious collision with defensive forces by any armed forces seeking to enter Costa Rica from Nicaragua or Nicaragua from Costa Rica.

The second inquiry contained in the resolution of the Senate asks why "Costa Rica, a belligerent with the Allies in the war just ended, was not permitted to sign the treaty of peace at Versailles."

In view of the fact that the Government of the United States has not recognized the existence in the Republic of Costa Rica of a *de jure* or even a legitimately *de facto* Government, but holds that only the people of Costa Rica can as a moral force set up in that country a government constitutional in character and duly sanctioned by law, it follows naturally that the Government of the United States could not recognize as legally existent any manifestation of such a Government.

To declare war is one of the highest acts of sovereignty. The Government of Costa Rica being for the Government of the United States legally nonexistent, it follows that so far as the Government of the United States is concerned, no state of war could exist between

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<sup>24</sup> Telegram not printed.

<sup>25</sup> *Ante*, p. 811.

<sup>26</sup> *Ante*, p. 812.

<sup>27</sup> Not printed.

Costa Rica and the Imperial German Government. Obviously there could be no question so far as this Government was concerned as to signing with Costa Rica the Treaty of Peace of Versailles.

Respectfully submitted,

ROBERT LANSING

818.00/888 : Telegram

*Mr. Julio Acosta to President Wilson*<sup>28</sup>

[Translation]

PEÑA BLANCA, August 16, 1919.

Now that Tinoco has abandoned the power, the occasion appears propitious to respectfully solicit from Your Excellency the official recognition (of the) government that presides (over) the patriotic movement that is at the head, in order to avoid greater sufferings in Costa Rica and to restore peace to the country and the lost cordiality. Be pleased [etc.]

JULIO ACOSTA

818.00/829 : Telegram

*The Secretary of State to the Consul at San José (Chase)*

WASHINGTON, August 19, 1919, 3 p.m.

Your August 13th, 11 A.M.

Obtain an official interview with Quiros, informing him of the attitude assumed by the Government of the United States in telegram to San Jose dated February 9, 3 P.M., 1917.<sup>29</sup> You may say that the Government of the United States continues to feel as set forth in that telegram that any person elected to the position of president of Costa Rica in free, open elections held under the constitution of Costa Rica, violated by Federico Tinoco, would appear to be [have] good claim to recognition.

LANSING

818.00/833 : Telegram

*The Minister in Nicaragua (Jefferson) to the Secretary of State*

MANAGUA, August 19, 1919, 3 p.m.

[Received August 20, 10.25 a.m.]

Have just had very interesting conference with President Chamorro relative to Costa Rican situation. It seems that Nicaraguan Consul-General in Costa Rica was called by the new President and was given to understand that he might assure President Chamorro that the Nicaraguan Government would receive the most cordial

<sup>28</sup> Received in the Department Sept. 16, probably from the White House.

<sup>29</sup> *Foreign Relations*, 1917, p. 307.

and just treatment at his hands. At the same time he requested him to ask President Chamorro to use good offices in helping to bring about a peaceable arrangement between revolutionary forces and Costa Rican Government. Ex-President Rafael Iglesias of Costa Rica arrived here today and probably will discuss this matter with Chamorro and Julio Acosta.

It seems that young Quiros, who has been with Acosta, left yesterday to consult with his father, now President of Costa Rica.

President Chamorro desires very much to know for his guidance the attitude of the Department towards the new Government in Costa Rica.

It is my opinion that now is the opportune time for the Department to let the new administration fully understand its position and I believe that Chamorro and I may be able to bring about final settlement of difficulties satisfactory to the Department.

JEFFERSON

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818.00/846: Telegram

*The Minister in Honduras (Jones) to the Secretary of State*

TEGUCIGALPA, August 19, 1919, 6 p.m.

[Received August 23, 4.25 p.m.]

The Minister for Foreign Affairs asked me whether the Government of the United States recognized the new Costa Rican Government.

JONES

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818.00/844: Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, August 21, 1919, 8 a.m.

[Received August 24.]

Resignation of Federico Tinoco was presented to his Congress yesterday afternoon by Quiros who was named by it for the balance of the term. Extra session then declared ended. I am arranging for meeting to comply with the instructions by cable August 19th, 3 p.m.

CHASE

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818.00/845: Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, August 22, 1919, 9 a.m.

[Received August 24, 9.55 p.m.]

Your August 19th, 3 p.m. I met Quiros in a private house yesterday afternoon and communicated to him the two instructions,

He said that he had not been told by Tinoco of the first one. He read the paraphrases carefully. May I give him copy of paraphrases? He said that as soon as he could get the country tranquil and the invasion stopped he would call an assembly of leading citizens and would act as they decided as to elections. He sent me a private letter requesting that the United States be asked to use its influence to stop further invasion. Copy by mail.

CHASE

818.00/847 : Telegram

*The Costa Rican Minister of Foreign Affairs (Vargas) to the Secretary of State*

SAN JOSÉ, August 23, 1919.

[Received August 24, 10.50 a.m.]

I have the honor to respectfully communicate Your Excellency through the consent [*sic*] Congress of Costa Rica by a law dated the 20th instant accepted the resignation of the President of the Republic General Federico Tinoco, and in accordance with the political constitution commissioned the task of the executive power for the rest of the presidential period which will end the 8th of May, 1923, to the first vice president, General Juan Bautista Quiros, who has taken charge of that high office from the 12th instant, on account of the leaving of the country of Mr. Tinoco in the use of the license granted upon him by the Senate, for an unlimited time. The new constitutional government of Costa Rica renews in this present opportunity to the honorable Government of the United States of America the feelings of sincere cordiality and the traditional good friendship of the Costa Rican people towards the American people and makes the most sincere wishes for the increase of the intercourse that should unite both countries for the benefit of their own interests and mutual regard, and for this purpose the Government of Your Excellency can always count with the best good will and loyal cooperation of my Government. I beg Your Excellency to accept [etc.]

GUILLERMO VARGAS

818.00/846 : Telegram

*The Secretary of State to the Minister in Honduras (Jones)*

WASHINGTON, August 27, 1919, 4 p.m.

Your August 19, 6 P.M.

Department cannot recognize Government of Quiros in Costa Rica, it being a creature of Tinoco. Government must be formed in accord with old constitution and free election must occur.

LANSING

818.00/862: Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, August 29, 1919, 3 p.m.

[Received August 31, 6 p.m.]

Your August 19, 3 p.m. It seems evident that Quiros has not disclosed the contents of cables referred to; and in view of the unrest and the desire of some persons to bring about an arrangement which will whitewash all those connected with Tinoco as against the wishes of many people who want a thorough investigation, and the lack of information of the people of the country as to the policy of the United States as stated in those instructions, am I authorized to request him to give them publicity, and if he will not, to do so myself?

CHASE

818.00/866a: Telegram

*The Secretary of State to the Consul at San José (Chase)*

WASHINGTON, August 30, 1919, 1 p.m.

You may make it public that the Government of the United States will not recognize Juan Bautista Quiros as present President.

The governmental power should be deposited in the hands of Francisco Barquero, successor to the executive power under the Alfredo Gonzalez régime. Barquero should hold free and open elections for president at earliest possible date. Were this done, it would appear that the necessary legal formalities had been complied with to constitute a legitimate government worthy of recognition by the Government of the United States.

After making this public, inform Department by cable of all developments.

LANSING

818.00/867: Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, September 1, 1919, 3 p. m.

[Received September 3, 12.50 p.m.]

Your August 30, 1 p.m. I saw Quiros this morning and advised him of that instruction. He asked that publicity be delayed 72 hours and said that he was afraid of manifestations and possible bloodshed. He said that he was not sure the military in control of some barracks. Barquero has made the same request, so I am waiting. In view of this danger a man of war at each port would pre-



vent any attempt by Tinoco adherents to cause trouble. It would be of great benefit to both men and I believe it would be welcome to both of them.

CHASE

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818.00/870: Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, September 2, 1919, 9 a.m.

[Received September 4, 9.18 a.m.]

Immediately after I had an interview with Quiros yesterday morning he called Barquero and soon [*sic*] many prominent citizens and after a long discussion it was decided that Barquero take the Presidency and Quiros becomes the Minister of War. Change in the Government today or tomorrow. It was deemed advisable to defer elections for a while owing to danger of disorders.

The resolution adopted was (translation)

“to advise the Vice President, General Juan Bautista Quiros, to call Attorney Francisco Aguilar Barquero to the Presidency and that the latter associated with a ministry of national union should call general elections as soon as possible for President of the Republic and furthermore to give a vote of thanks to General Juan Bautista Quiros as for his noble loyal acts of public liberty in his short government.”

CHASE

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818.00/872: Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, September 3, 1919, 8 a.m.

[Received September 5, 11.37 a.m.]

[Francisco] Aguilar Barquero in control of the country as Provisional President. Everything apparently secure. I expect to see him again today and will telegraph further developments.

CHASE

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818.00/873: Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, September 4, 1919, 9 a.m.

[Received September 5, 11.47 a.m.]

Aguilar Barquero in replying to the Congress investigating [*investing*] him with power stated that he did not approve immediate

elections, his chosen advisers seem to be taking the same view. Agricultural interests desire delay that may mean indefinite postponement, but many want the country fully reestablished on a constitutional basis as soon as possible.

CHASE

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818.00/870 : Telegram

*The Acting Secretary of State to the Consul at San José (Chase)*

WASHINGTON, September 4, 1919, 6 p.m.

Your September 2, 9 a.m.

Department will be much gratified if governmental power is deposited in the hands of Barquero and if he holds general elections for president as soon as possible. You are instructed to make it clear however that these elections should be held under the provisions of the Costa Rican constitution which was in force during the presidency of Gonzalez. You are also directed to strongly recommend to Barquero, if he assumes executive power immediately, that a general amnesty of political offenders be proclaimed and that Acosta and his adherents be invited to return to Costa Rica and to participate in the presidential election.

Keep the Department daily informed of developments.

PHILLIPS

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818.00/876 : Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, September 5, 1919, 2 p.m.

[Received September 8, 12.40 a.m.]

Acosta telegraphed adhesion and is returning. A committee to investigate the past regime is promised. Wednesday night at Punta Arenas some shots were fired at the American Consular Agency, the store of José Chen Apuy and some other Chinamen were looted, five people were killed and many wounded in a demonstration; police reported out of order that night. A new commander and forces were sent Thursday and all is now quiet there. The only disturbance last night was at Orotina. The country in general is tranquil.

CHASE

818.00/875 : Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, September 6, 1919, noon.

[Received September 8, 12.55 a.m.]

At the request of Aguilar Barquero the following telegram was sent to the American Minister in Nicaragua.

"September 6, 7 a.m.

Francisco Aguilar Barquero, now exercising executive power in Costa Rica under the old constitution, told me this morning that Acosta desires to bring his forces under arms to San Jose to surrender them direct to him but that he fears trouble from this and must insist that they come without arms if at all. He stated that he was willing that they (should?) come unarmed but that any attempt otherwise will be forcibly resisted. The country seems to be tranquil and contented now. All Tinoco agents are reported discharged. When Acosta returns there will be a great manifestation and his forces, if armed, might lead to trouble. He requested that you should be asked to use your good offices in all possible ways to persuade Acosta to come but not in an attitude of aggression, assuring all of them full guarantee and protection. In view of all possibilities of unforeseen developments this appears as a very reasonable requirement."

CHASE

818.00/872 : Telegram

*The Acting Secretary of State to the Consul at San José (Chase)*

WASHINGTON, September 6, 1919, 4 p.m.

Your September 3, 8 A.M. and September 3, 2 P.M.

Cable Department immediately manner in which Aguilar Barquero became provisional president. If this came about by virtue of a resolution such as referred to in your September 2, 9 A.M. cable text of resolution.

Department's September 4, 6 P.M. Has Aguilar announced that he will hold elections under old constitution?

PHILLIPS

818.00/881 : Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, September 9, 1919, 10 a.m.

[Received September 11, 2.45 p.m.]

Your September 6th, 4 p.m. Aguilar Barquero became Provisional President by virtue of a resolution of citizens, the text of which was given in my cipher telegram September 2nd, 9 a.m.,<sup>80</sup> and

<sup>80</sup> *Ante*, p. 858.

by a decree dated September 2nd, 11 a.m., translation as follows:

“Juan Bautiste Quiros, First Vice President, Acting Executive, considering: first, that the public weal of Costa Rica demands the immediate adoption of extraordinary measures which put in safety the supreme interests of the national autonomy and on the other hand respond to the wishes freely manifested by the Costa Rican people to reorganize the country on constitutional basis different from those now existing and to elect their agents and representatives in popular elections to be held within a prudent time; second, that as the sovereignty resides essentially and exclusively in the nation and from it must emanate the public powers, and as the functionaries of the state are not owners, but mere trustees of the authority, it is obvious that in the present circumstances the highest duties of our representatives justify the respect on the part of the constituted Government of the aspirations of the country expressed in the preceding article and which comply strictly with a true concept of democracy; therefore in view of the vote of the majority cast yesterday in the assembly of citizens which met at the presidential house at the call of the head of the Government to consider the solution of the grave problems which perplex the country, in the Council decrees:

SOLE ARTICLE. The Executive power of the Republic is deposited in Attorney Francisco Aguilar Barquero in order that this distinguished citizen may proceed to reorganize the life of the Republic in the form which he may consider adequate for the fulfillment of the ends to which reference has been made.”

Signed by all the members of his Cabinet except one.

Aguilar issued a decree the same date as follows. Translation: “From this date I assume the Supreme Command [of] the Army of the Republic.”

Elections will be held under the old constitution but not yet announced when.

Carlos Brenes Ortiz yesterday appointed Minister [of] Hacienda to succeed Aguilar Bolandi.

U. S. Cruiser *Denver* arrived at Puntarenas last night.

CHASE

818.00/893, 894

*The Nicaraguan Legation to the Department of State*

[The following paraphrases of telegrams exchanged between the Nicaraguan Minister and the President of Nicaragua were left at the Department by the Minister September 10 and 12, respectively.]

[Translations]

WASHINGTON, *September 9, 1919.*

Department of State would be much pleased if the Government of Nicaragua would use its good offices toward a friendly settlement of the differences between Aguilar Barquero, “Designado” in charge of

the Executive Power of Costa Rica and Acosta, by endeavoring to have the latter's forces enter San José without arms so as to avoid any possible conflict and smooth the situation.

[No signature indicated]

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MANAGUA, *September 10, 1919.*

Don Julio Acosta cheerfully accepted. Will leave this evening for San José with his friends without arms [*unarmed*].

CHAMORRO

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818.00/870: Telegram

*The Acting Secretary of State to the Consul at San José (Chase)*

WASHINGTON, *September 12, 1919, 2 p.m.*

At the suggestion of the Department of State Julio Acosta intends, the Department is informed, to proceed with his friends to San José unarmed. Give this information to Barquero immediately and inform him that Acosta's proposed action would seem materially to reduce danger of disorders and open the way for the early holding of general elections as proposed by resolution mentioned in your September 2, 9 a.m.<sup>31</sup>

Cable Department Barquero's reply to the above.

Confidential. Report by cable whether Barquero is in full command of the situation, and whether Quirós is working loyally with him.

PHILLIPS

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818.00/883: Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, *September 14, 1919, 10 a.m.*

[*Received September 15, 3.45 a.m.*]

Your September 12th, 2 p.m. Julio Acosta and party arrived at San Jose yesterday afternoon and received an enthusiastic welcome. Very great crowd and no disorder. Barquero called on him at the hotel.

American warship *Baltimore* arrived at Puntarenas yesterday morning and the *Denver* left.

Confidential. Barquero is in full control. Quiros loyally aided but he has been succeeded as Minister of War by Aquiles Bonilla

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<sup>31</sup> *Ante*, p. 858.

Gutierrez. Almost all Tinoco adherents have been removed and others are being replaced by loyal men in all positions as rapidly as possible.

CHASE

818.00/889 : Telegram

*The Costa Rican Minister of Foreign Affairs (Venegas) to the Secretary of State*

[Translation]

SAN JOSÉ, *September 14, 1919.*

[*Received September 15.*]

I have the honor to inform Your Excellency that Señor Juan Bautista Quiros, taking the advice of the most notable persons of Costa Rica, turned over the Presidency of the Republic to Señor Francisco Aguilar Barquero who has formed the Cabinet as follows: Foreign Relations, the undersigned; Interior, Carlos María Jimenez; Finance, Carlos Brenes; Fomento, Pedro Perez Zeledon; Public Instruction, Joaquín García Monge; War, Aquiles Bonilla; that the Constitution of 1917 has been set aside by my Government and that of 1871 put in force; and that elections for the next President and deputies will be held not later than March next, so that the President elect may assume his office on the following eighth of May, the date fixed by the Constitution. I avail myself of this opportunity to say to Your Excellency that one of the most thankful endeavors of this Government will be to cultivate cordial relations with that of Your Excellency.

ANDRES VENEGAS

818.00/886 : Telegram

*The Costa Rican Minister of Foreign Affairs (Venegas) to the Secretary of State*

[Translation]

SAN JOSÉ, *September 15, 1919,*

[*Received 10.45 p.m.*]

I have the honor to inform Your Excellency that my Government, on the strength of the Constitution of 1871 now in force, has decreed that the elections of the President of the Republic and deputies to the National Congress be held on the first of December next.

VENEGAS

S18.00/905 : Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, September 28, 1919, 10 a.m.

[Received September 29, 4.25 a.m.]

Confidential. Provisional President Aguilar called for me yesterday morning to ask if I could not aid in securing some kind of recognition of the United States. He stated that several important matters for the country could not be accomplished without the friendly offices of the United States. He is endeavoring to redeem Costa Rica from the plight caused by 30 months Tinoco pillage and misrule and to comply with the old constitution. He feels that he will [*sic*] not occupy his present situation but for our Government aiding. Juan B. Quiros only acted as Minister of War until the control of the army was enforced and he has since resigned from directorship of the Government bank. The army is practically disbanded, confidence is restored and any encouragement from our Government will in my opinion be beneficial.

Close attention to the election to prevent successful intrigue may become necessary but he will do everything possible to assure free and open election. Yesterday a decree suspended payment of Tinoco checks and bonds to investigate [*sic*].

CHASE

S18.00/930 : Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, October 31, 1919, 1 p.m.

[Received November 1, 4.11 a.m.]

By a decree published today all laws, decrees, agreements, orders, resolutions, concessions, contracts recognition of debt, payment and like actions, based on the Tinoco constitution, are temporarily annulled except proceedings and judgments of courts, laws, decrees, agreements and resolutions favoring the Treasury when approved and not contrary to present decree; payments to employees and for public administration and private contracts not affecting the State. For the annulment to be permanently effective each item requires a special declaration within 18 months from this date. Payments not of benefit to the Nation to be refunded fully.

Reliably informed that Pedro Perez Zeledon, Minister of Fomento, will soon be sent as representative of Costa Rica to Washington. He has an excellent reputation and was active in the boundary disputes.

A newspaper of this morning announces that Luis Anderson will also be a candidate for President of the Republic of Costa Rica.

CHASE

818.00/944: Telegram

*The Consul at San José (Chase) to the Secretary of State*

SAN JOSÉ, December 8, 1919, 9 a.m.

[Received December 9, 12.50 p.m.]

My December 4, 11 a.m.<sup>32</sup> Julio Acosta elected President of the Republic yesterday by a very great majority. Good order maintained. Saloons closed. Election well conducted. Opposition may have a few deputies owing to proportional method of electing. Particulars by mail.

CHASE

## OIL CONCESSIONS

Unsuccessful Attempt of S. Pearson & Son to Obtain a Concession in 1913—The Greulich Concession of 1916; Transfer to the Costa Rica Oil Corporation in 1917—Grant of a Concession to Amory & Son, June 25, 1918; Disapproval of the United States

818.6363/—: Telegram

*The Minister in Costa Rica (Hale) to the Secretary of State*

SAN JOSÉ, November 11, 1913, 7 p.m.

[Received November 12, 8.50 a.m.]

In view of the situation it may be of interest to report that Richard Lloyd George, son of the British Chancellor of the Exchequer, accompanies Robert Anderson, who is seeking oil concession from Costa Rican Government for Pearson and Son. Refer to Consul Lee's unnumbered despatch November 4 entitled "Trade Notes".<sup>33</sup>

HALE

818.6363/2

*The Consul at San José (Lee) to the Secretary of State*

SAN JOSÉ, November 22, 1913.

[Received December 4.]

SIR: I have the honor to invite reference to my unnumbered despatch of the 4th instant entitled "Trade Notes",<sup>33</sup> and report that the National Congress of Costa Rica on November 17th, 1913, in secret session, disapproved the proposed contract or concession grant-

<sup>32</sup> Not printed.<sup>33</sup> Not found in Department files; for text, see U.S. Department of Commerce, *Daily Consular and Trade Reports*, No. 274, Nov. 22, 1913, p. 991. It contains the statement: "There is at present a proposition before Congress to grant a concession to S. Pearson & Son, of London, giving rights to explore and develop possible oil fields in Costa Rica."



ing to Messrs. S. Pearson & Son of London rights to explore and develop possible oil fields in Costa Rica.

The contract referred to is given in full in *La Gaceta Oficial* of November 4th, 1913, copies of which accompanied my despatch of the 4th instant.

I have [etc.]

SAMUEL T. LEE

818.6363/1

*The Secretary of State to the Minister in Costa Rica (Hale)*

WASHINGTON, December 2, 1913.

SIR: With reference to your telegrams of November 11, 7 p.m., and November 26, 3 p.m. [*November 27*],<sup>34</sup> and to the Department's telegram of November 25 [*26, 3 p.m.*]<sup>34</sup> the Department encloses herewith six copies of the President's speech of October 27, 1913, at Mobile, Alabama, in which relations with Latin America are discussed with particular reference to the subject of concessions. The question of oil concessions in Costa Rica is, however, conceived to be of unusual interest because of its relation to naval bases and the proximity of Costa Rica to the Panama Canal.

I am [etc.]

For the Secretary of State:

J. B. MOORE

818.6363/7

*The Minister in Costa Rica (Hale) to the Secretary of State*

No. 88

SAN JOSÉ, November 15, 1915.

[Received November 30.]

SIR: I have the honor to enclose, marked Enclosure No. 1, the text (and translation) of an oil contract between the Government of Costa Rica and Dr. Leo J. Greulich, of New York,<sup>34</sup> which has been signed by the President of Costa Rica and awaits the action of Congress.

Recalling the Pearson (Lloyd-George) contract, referred to in my telegram of November 11, 1913; the Department's telegram of November 26, 1913;<sup>34</sup> and Department's unnumbered despatch of December 2, 1913; I respectfully suggest that I be given permission to mention Doctor Greulich's contract informally to the President as one which would probably prove to be of benefit to both countries. I think that my saying this would cause him to hasten its presentation to an extra session of Congress immediately after the coming elections on December 5th.

<sup>34</sup> Not printed.

Dr. Greulich's representative here, Mr. Lincoln G. Valentine, has given me the following analysis of the contract, to wit:

"You will note that the proposition is not intended as a Costa Rican petroleum monopoly, but as a fair business deal, offering a maximum of advantages to Costa Rica and a reasonable amount of latitude and guarantees to the Contractor. The concession was drawn after careful analysis of the Pearson proposition to Costa Rica in 1913 and other Latin American petroleum contracts. We believe that the defects in the latter, which experience has brought to the surface, have been eliminated and that the Government's participation in the gross product has been fixed as high as is commercially feasible.

"Our concession may be analysed into the following salient features:

"1. The Contractor agrees to spend in exploration and exploitation during the first two years, 25,000 colones; during the following three, 250,000 colones; and during the following seven, 1,000,000 colones. Guaranty deposits are made by the Contractor of 15,000, 25,000 and 30,000 colones respectively.

"2. The Contractor has the exclusive right during five years to explore for petroleum in the provinces of Limon, Guanacaste and Puntarenas.

"3. During these five years, the Contractor may denounce a total area not exceeding four thousand square kilometers for petroleum exploitation during the term of the contract, 50 years. The superficial rights of these denouncements remain the property of their previous owners, except such lands as are indispensable for the works of the enterprise.

"4. The Contractor must maintain all the wells found in continuous exploitation.

"5. The Government has an arbitral voice in directing the work of the enterprise.

"6. The Government receives ten per cent of the gross value of the product at the mouth of the wells; in addition thereto, free oil for fuel of present Government railroads, and free gas for all Government and Municipal buildings, schools, etc.

"7. The Contractor must begin work within four months after the Congressional approval of the Concession.

"The following gentlemen are interested in the enterprise:

"W. S. Valentine, 17 Battery Place, New York. For almost forty years largely interested in industrial and mining enterprises in Honduras. President of the New York and Honduras Rosario Mining Co., the largest Central American silver and gold mine. His other enterprises include: San Pedro Electric Light & Power Co.; Morse Timber Co.; Sabana Grande Honduras Mining Co.; etc., etc. Bank: American Exchange National Bank.

"Leo J. Greulich, 42 Broadway, New York, who has exploited the 1,800,000 acres Foster petroleum lease, Osage Reservation, Oklahoma.

"Herbert Noble, lawyer, 115 Broadway."

I have [etc.]

E. J. HALE

818.6363/8: Telegram

*The Secretary of State to the Minister in Costa Rica (Hale)*

WASHINGTON, December 22, 1915, 11 a.m.

Confidential. Your number 88, November 15, and subsequent telegrams.<sup>36</sup>

Report by telegraph when concession will be submitted to Congress. Department also desires your views regarding monopolistic features and generally whether the concession is advantageous to Costa Rica.

LANSING

818.6363/13: Telegram

*The Minister in Costa Rica (Hale) to the Secretary of State*

SAN JOSÉ, January 7, 1916, 10 p.m.

[Received January 9, 2.45 p.m.]

My December 6, 4 p.m., Department's December 16, 4 p.m.<sup>37</sup> Difficult to secure reliable information. Apparently German name of Greulich and German education of Valentine excited suspicion and hostility. I asked Valentine if he had any foreign alliances. He gave me written statement that he had not but that his enterprise was strictly American. British Minister today said to person in my confidence that he had thought enterprise was German but now he thought it American and therefore had no further interest.

Department's December 22, 11 a.m. Confidential. Apparently concession will not be submitted to this Congress but to the new Congress in May. Monopolistic features of contract now limited to five years and seems necessary for the safe-guarding of bonds. I think concession is advantageous to Costa Rica; but Costa Rican President said in inspired article in Government organ that such great wealth should be reserved to Costa Rica.

Valentine has submitted 27 pages on the situation from his point of view, which I will forward by mail. Meanwhile, because of discovery of his cipher code by the Government, he asks me to send a synopsis which he requests may be repeated to Attorney Noble. Also requests Acosta be conferred with. I convey these requests contingent on results of Department's investigation.

The following is Valentine's synopsis:

"President declared himself publicly against Greulich contract and against excluding European capital from exploitation of vital

<sup>36</sup> Telegrams not printed.

<sup>37</sup> Neither printed.

resources. Says he will defeat Greulich contract by presenting it to Government controlled May Congress. Present Congress uncontrolled. Sudden change of President's attitude coincides with presence of British Minister and Costa Rican Minister to England, now here, who have shown direct interest and apparently collaborate with [garbled group] Minister of War, Minister at Washington, and local police authorities to defeat Greulich contract and promote apparently American but British backed counter proposition. Minister of Finance and Minister of Fomento still approve Greulich contract which they and the public consider eminently fair, and wish Congress immediately convened as promised. They disapprove President's change of policy toward American interests but being powerless suggest confidentially that Government of the United States express strong interest."

HALE

817.812/159 : Telegram

*The Secretary of State to the Minister in Costa Rica (Hale)*

[Extract]

WASHINGTON, *March 4, 1916, 4 p.m.*

The Costa Rican Minister<sup>38</sup> left Washington for Costa Rica quite suddenly on March first. The matters of importance to his Government with which he is probably charged are . . . and the Greulich oil concession.

Confidential. . . . The Department not only perceives no reason why this concession should be facilitated but on the contrary several reasons why caution should be observed and no action taken by the Legation. Minister Quesada appears to have been approached by the American interests in whose behalf Crespi<sup>39</sup> is apparently interested, and they appear to be worthy of confidence, but there is no reason why you should facilitate their concession when presented. Should your investigation reveal the alleged presence of British interests therein you will immediately advise the Department.

LANSING

818.6363/14

*The Secretary of State to the Minister in Costa Rica (Hale)*

No. 42

WASHINGTON, *March 25, 1916.*

SIR: Strictly confidential. Reference is made to your despatch No. 88, of November 15, 1915, and to instruction No. 37, of January 20, 1916,<sup>40</sup> as well as to your telegram of December 6, 1915,

<sup>38</sup> Manuel Castro Quesada, Minister from Costa Rica to the United States.

<sup>39</sup> See instruction of Mar. 25, *infra*.

<sup>40</sup> Not printed.

4 p.m.,<sup>40</sup> the Department's telegrams of December 16, 1915, 4 p.m.,<sup>40</sup> December 22, 1915, 11 a.m., your telegram January 7, 1916, 10 p.m., to your despatch No. 91, of January 8, 1916,<sup>40</sup> and to the last paragraph of the Department's telegram of March 4, 1916, 4 p.m., all relative to the desire of the interested parties that the assistance of your Legation be extended in behalf of a contract entered into between the Government of Costa Rica and Dr. Leo J. Greulich, for the exploitation of certain oil fields in Costa Rica.

It is a well-established custom of this Department to reserve its unofficial assistance and good offices for the support of such legitimate American interests as appear to encounter difficulties abroad. From the information in its possession, the Department does not perceive that this concession now stands in need of such assistance, particularly in view of the fact that an expression of the desire of this Government that it be submitted to an extra session of the Costa Rican Congress called for this purpose would establish an undesirable precedent.

To the unusually comprehensive nature of the original contract it is unnecessary at this time to allude, except as to the obstacle which its apparently exclusive character might oppose to the participation of other American interests in this field. In this connection you are advised that Mr. A. B. Butler, a capitalist of Washington, who is understood to possess a wide experience in oil development, has informed the Department of his desire and intention to submit to the Government of Costa Rica a contract for similar development in Costa Rican oil fields. Mr. Robert A. Crespi, of San José, whose New York address is care of Pruyn and Whittlesee, 2 Rector Street, New York City, a British subject, and brother-in-law of Mr. Minor C. Keith, of the United Fruit Company, and with whom you are acquainted, is understood to be actively interested in Mr. Butler's behalf and, the Department has every reason to believe, has approached Minister Quesada in this connection. While the exclusive participation of British interests in Costa Rican development would be viewed with apprehension by the Department, there appears no reason to believe that Mr. Butler contemplates such participation or that British interests will be predominant in such contracts as he may submit or obtain.

As regards Dr. Greulich's nationality, antecedents and interests, you are informed that Mr. Herbert Noble, a lawyer of New York, and attorney for Dr. Greulich, in the representations made by him to the Department in behalf of this concession stated that Dr. Greulich was born in Dayton, Ohio, and that he possessed no German

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<sup>40</sup> Not printed.

antecedents. Confidential investigations by the Department, however, disclose the fact that Dr. L. J. Greulich when registering for elections in this country at Ossining, New York, in 1915, stated that he was 55 years of age, and but 24 years in the country, four in the State and four months in the county.

. . . you will refrain from facilitating in any way the concession above referred to, and, while observing caution in your treatment of the matter, you will report in detail developments as they occur. Your attention should be closely paid to other interests in this field, whose actions, principals, representatives, as well as all relevant information in connection therewith, should be immediately reported to the Department.

I am [etc.]

ROBERT LANSING

818.6363/22

*Report of the Vice Consul at Port Limon (Pullen)*

[Extract]

PORT LIMON, *November 20, 1916.*

[*Received December 5.*]

The Constitutional Congress of the Republic of Costa Rica has granted to Dr. Leo J. Greulich of New York City a concession for the privilege of exploring and exploiting for petroleum and other hydro-carbonaceous substances in the Provinces of Limon, Puntarenas, and Guanacaste.

One-half million acres have been set aside for this project in the Limon Province, situated as follows: Beginning at Estrada, 22 miles from Port Limon, the line runs south to the 10° parallel, thence southeast to the summit of Pico Blanco, thence northeast to the mouth of the Zhorquin River, thence northwest to the point of beginning.

The following is a translation of the contract:

ALBERT B. PULLEN

818.6363/22

*The Secretary of State to the Minister in Costa Rica (Hale)*

No. 62

WASHINGTON, *December 6, 1916.*

SIR: The Department is in receipt of a despatch, dated November 20, 1916, from the American Vice Consul at Port Limon, Costa Rica, which states that the Constitutional Congress of the Republic of

Costa Rica has granted to Doctor Leo J. Greulich, of New York City, a concession for the privilege of exploring for and exploiting petroleum and other hydro-carbonaceous substances in the Provinces of Limon, Puntarenas, and Guanacaste.

The Department desires that you investigate and report in full in regard to this concession.

I am [etc.]

For the Secretary of State:

FRANK L. POLK

818.6363/24 : Telegram

*The Minister in Costa Rica (Hale) to the Secretary of State*

SAN JOSÉ, April 17, 1917, 11 a.m.

[Received April 18, 3.10 p.m.]

Your telegram of March 16, 7 p.m.<sup>41</sup> Greulich oil concession transferred to Costa Rica Oil Corporation of Delaware, capital \$2,000,000. Costa Rican Government notified March 12. Statutes recorded March 22. Terms of sale not publicly known but Greulich said to own only proportionately small number of shares. Sinclair Central American Oil Company, majority whose shares owned by Harry Ford Sinclair of New York City, owns one half capital stock of Costa Rica Oil Corporation. Lincoln J. Valentine has a large interest. Copy of concession which is dated September 23, 1915 sent to Department in my despatch 88, 15th November same year.<sup>42</sup> Passed by Congress with modifications better securing the Government over President's veto and published in official publication 12th of November. Company apparently complying with terms of concession and has geologists actively at work on the field headquarters Limon.

HALE

818.6363Am6/- : Telegram

*The Chargé in Costa Rica (Johnson) to the Secretary of State*

SAN JOSÉ, June 6, 1918, 1 p.m.

[Received June 7, 1.21 a.m.]

Petroleum concession signed May 6 between John M. Amory and Son, 52 Broadway, New York, and Minister of Fomento covering those portions of Costa Rica not included in Sinclair-Valentine enterprise now pending for approval in Congress. It has support of Tinoco opposed by Valentine, who alleges that Amory repre-

<sup>41</sup> Not printed.

<sup>42</sup> *Ante*, p. 866.

sents English or French interests and territory includes Adelaida [Alajuela] Province bordering on [proposed] Nicaraguan canal. Do not believe German interests involved but possibly English.

JOHNSON

818.6363Am6/2: Telegram

*The Chargé in Costa Rica (Johnson) to the Secretary of State*

SAN JOSÉ, June 24, 1918, noon.

[Received June 25, 4.30 a.m.]

My June 6, 1 p.m., June 15, 2 p.m.,<sup>43</sup> and dispatch number 289, June 15,<sup>43</sup> regarding Amory oil concession. Valentine today showed me a letter just arrived bearing usual post marks and evidence of having been intercepted by censor in New York from Saturnino Restrepo, London, to Doctor Eduardo Uribe here, his cousin and local representative of Amory and Son, which contains positive evidence that Amory concession backed by English capital probably Pearson. Letter also refers to plan to enter Nicaraguan field. British Consul Cox and Tinoco backing concession which is expected to pass in Congress today. Connections of Restrepo and antecedents shown in dispatch referred to above. Copy of letter by mail.<sup>43</sup>

JOHNSON

818.6363Am6/3: Telegram

*The Chargé in Costa Rica (Johnson) to the Secretary of State*

SAN JOSÉ, June 26, 1918, 11 a.m.

[Received June 27, 9.57 a.m.]

Amory oil concession passed Congress and approved by Executive yesterday published today, copy by mail.<sup>43</sup>

JOHNSON

818.6363Am6/2: Telegram

*The Secretary of State to the Chargé in Costa Rica (Johnson)*

WASHINGTON, July 1, 1918, 2 p.m.

Your June 24, noon. Department considers it most important that only approved Americans should possess oil concessions in the neighborhood of Panama Canal. Amory concession does not appear to meet these requirements. Use best efforts to carry into effect this policy.

LANSING

<sup>43</sup> Not printed.



818.6363/29: Telegram

*The Chargé in Costa Rica (Johnson) to the Secretary of State*

SAN JOSÉ, August 8, 1918, 9 a.m.

[Received August 9, 9.10 a.m.]

Your March 16, 7 p.m., 1917.<sup>44</sup> Will appreciate being informed if Sinclair-Valentine oil concession operated by Costa Rica Oil Corporation is regarded as such an American interest as deserves protection. There is some indication that Tinoco seeking to undermine company's standing with a view probably forfeiting concession and regranting it to Amory interests.

JOHNSON

818.6363Am6/18a: Telegram

*The Secretary of State to the Chargé in Costa Rica (Johnson)*

WASHINGTON, August 29, 1918, 4 p.m.

Confidential. Department regards the concession held by the Sinclair Oil Interests as held by Americans of good repute.

Department is most dissatisfied with the Amory concession as it can not but feel that no oil properties in the neighborhood of the Panama Canal should be owned by other than Americans. Report fully by pouch upon present situation. The Department would be pleased to consider any suggestions you might offer.

LANSING

818.6363Am6/20

*The Chargé in Costa Rica (Johnson) to the Secretary of State*

No. 332

SAN JOSÉ, August 31, 1918.

[Received September 16.]

SIR: Complying with instructions contained in your telegram of August 29, 4 P.M., to make a full report on the present situation with regard to the Amory oil concession, I have the honor to report as follows.

Could the views of the Department on the Amory concession contained in your telegram of July 1, 2 P.M., but have been received as late even as July [June] 25th, the day on which the concession was approved and the day prior to its publication, I feel certain I could have prevented the contract being put into force as law. . . .

I have taken occasion since that time to inform Joaquin Tinoco that the Department is very much dissatisfied with the concession,

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<sup>44</sup>Not printed.

to which he made the obvious answer, with a shrug of the shoulders, that it was too late, the concession already having become a law.

I have also let it become known generally that we are much dissatisfied with the concession and with the hasty manner in which it was passed and published.

I presume the Department was in the same difficulty I was in to determine, in time, conclusively, that the people back of the concession were not American. If Valentine were a person to inspire greater confidence, I would, upon being shown the Restrepo letter on the 24th, have ventured on my own responsibility, without any instructions whatsoever, to have then and there requested a delay until I could hear from the Department. But of course it seemed equally safe to wait until the last moment, until the last stage had been passed in Congress, before making this request, and particularly advisable to do so in the absence of any instructions whatsoever from the Department, indicating, even in the slightest degree, that British oil interests, would, under war conditions, be opposed here, although I am very glad to learn the Department's position is what it is.

Since the arrival of Mr. Elders, of the Sinclair interests, there is little danger of the attempt being made, undoubtedly contemplated a short while ago, to cancel the Sinclair concession and turn it over to the favorite of the Tinocos, the Amory crowd. The Sinclair concession itself is now fairly safe from successful attack especially since receiving an answer to my telegraphic inquiry (telegram of August 8, 9 A.M.) as to whether it should receive the Legation's support.

Negotiations with the Tinocos looking to the cancellation of the concession, or its repeal, would lead to nothing—would be merely an encouragement to their continuance in power, as they would feel they had something to bargain with.

Everything practical[ly] is at a standstill until the Tinocos are put out. For example nothing can be done at this end to correct the granting of this concession, no settlement can be made of the dangerous German situation and nothing can be done by the United States to help the country out of its present state of political, financial and economic anarchy and ruin.

I have [etc.]

STEWART JOHNSON

818.00/909 : Telegram

*The Consul at San José (Chase) to the Secretary of State*

[Extract]

SAN JOSÉ, *September 30, 1919, 2 p.m.*

[Received October 1, 7.50 p.m.]

My opinion is that the Amory oil concession will be annulled if requested by our Government but that this request should be held in abeyance until after the congressional elections to prevent possible attempts to influence them.<sup>46</sup>

CHASE

818.6363Am6/29 : Telegram

*The Secretary of State to the Consul at San José (Chase)*WASHINGTON, *December 9, 1919, 5 p.m.*

Your September 30, 2 P.M. While Department does not desire that you should make request for annulment of Amory concession, you are authorized to suggest to Costa Rican Government that this concession was granted against wishes of the United States Government which informed the Costa Rican Government at the time that it considered it most important that only approved Americans should possess oil concessions in the neighborhood of Panama Canal and that Amory concession did not appear to meet these requirements. At present time it is doubted whether the concession is controlled by *bona fide* American interests in good standing. You may further recall to the attention of the Costa Rican Government that the United States Government has declared that it would not consider any claims of American citizens arising from a business transaction with the Tinoco administration as worthy of its diplomatic support.

LANSING

CONVENTION WITH THE UNITED STATES FOR FACILITATING  
THE WORK OF TRAVELING SALESMEN

(See page 45, footnote 47.)

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<sup>46</sup> For report of the temporary annulment of all concessions, see the Consul's telegram of Oct. 31, p. 864.

## ADDENDUM<sup>1</sup>

763.72119/6513

### *The Japanese Chargé (Debuchi) to the Secretary of State<sup>2</sup>*

The Honorable the Secretary of State in the course of his conversation with the Japanese Chargé d'Affaires at Washington on July 28 called the attention of the Japanese Government to the information received from the American Minister at Peking to the effect that the Japanese Government have opened negotiations with the Chinese Government for the restitution of Kiao-chou on the basis of the Sino-Japanese agreements of 1915 and 1918. Secretary Lansing understood that it had been agreed at the Paris Conference that the question of Shantung was finally to be adjusted independently of and without reference to the arrangements of 1915 and 1918. He therefore asked for explanations respecting the reported action of the Japanese Government which seemed to him to be inconsistent with the understanding reached at Paris.

The Japanese Government desired to point out in reply that it is not true that negotiations had been opened at Peking for the restitution of Kiao-chou. In their statement issued to the press on August 2 they have made it clear that such negotiations could only be entered into after the treaty of peace with Germany shall have been ratified by Japan.

At the same time, they confirm that, in response to the desire of President Hsu, informally conveyed to the Japanese Minister at Peking toward the latter part of May, Mr. Obata expressed his readiness to address an official communication to the Chinese Acting Minister of Foreign Affairs in the sense that the Japanese Government were prepared to enter into negotiations with the Chinese Government as soon as practicable after the ratification by Japan, China and Germany of the Treaty of Versailles, in pursuance of Japan's engagement to China.

It will be recalled that the legal obligation undertaken by Japan toward China to return Kiao-chou originates from the arrangement of 1915. Japan is firmly determined to abide by her pledged word consecrated in that arrangement and it was this sincere determina-

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<sup>1</sup>To be read in connection with the Department's memorandum of Aug. 27, 1919, printed on p. 720.

<sup>2</sup>Note on margin: "Handed me after reading aloud by Japanese Chargé. Aug. 22/19 R[obert] L[ansing]."

tion that Mr. Obata's proposed communication was intended to reaffirm. Nor was any exception then taken by the Chinese Government to the substance of the communication thus suggested. These informal conversations were, however, eventually abandoned by the Chinese themselves owing apparently to the change of the situation caused by their failure to sign the Treaty of Versailles.

The question now raised by the Secretary of State seems further to rest on the presumption that it was admitted by the Japanese delegation in Paris that the validity of the Sino-Japanese arrangements of 1915 and 1918 was at least questioned. Careful research of the reports so far received in Tokio on the proceedings of the Paris Conference has failed to disclose anything which indicates such an admission on the part of the Japanese delegation. On the contrary, Viscount Chinda at the close of the discussion on the Shantung clauses on the 30th of April defined the position of Japan in the matter "to remove any moral obligation on behalf of Japan not to invoke the agreements in question."

Contentions are often advanced in this connection that China was compelled to accept the arrangement of 1915 under conditions which deprived her of a free choice of any other alternative. It is, however, evident that if such contentions were adopted to challenge the validity of treaty solemnly entered into by a sovereign power, dangerous precedents would be set with grave consequences upon the stability of the existing international relations.

In offering foregoing explanation, the Japanese Government are happy to believe that the spirit of entire frankness and confidence in which it is submitted will not be misunderstood by the American Government.

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