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Foreign Relations of the United States

1931

Volume I

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Papers Relating to the Foreign Relations of the United States 1931

(In Three Volumes)

Volume I

United States
Government Printing Office
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DEPARTMENT OF STATE

PUBLICATION 2602

PREFACE

Foreign Relations of the United States is a series of volumes of diplomatic correspondence published by the Department of State for each year beginning with 1861 (excepting 1869). The regular annual volumes have been supplemented by special volumes on particular subjects. For the period beginning with 1914 these extra volumes have included World War Supplements for the years 1914 to 1918 inclusive; volumes on Russia for the years 1918 and 1919; The Lansing Papers, 1914–1920; Japan: 1931–1941; and the Paris Peace Conference, 1919, these last named volumes being still in the course of publication.

The compiling and editing of the *Foreign Relations* volumes is performed by the Research Branch in the Division of Research and Publication in accordance with the principles set forth in an order approved on March 26, 1925, by Mr. Frank B. Kellogg, then Secretary of State. This order, which is still in force, is given here in full:

The publication of diplomatic correspondence relating to matters which are still current often presents an insuperable obstacle to effective negotiation, but it is obvious that after the completion of the business in hand, as much of the correspondence as is practicable ought to be made public. This object is attained by the publication of *Foreign Relations* which presents, in a form economical, compact and easily accessible, the documentary history of the foreign relations of the United States. The editing of *Foreign Relations* must, therefore, be recognized as an important part of the duties of the Department of State.

The Chief of the Division of Publications [Division of Research and Publication] is charged with the preparation for this purpose, as soon as practicable after the close of each year, of the correspondence relating to all major policies and decisions of the Department in the matter of foreign relations, together with the events which contributed to the formulation of each decision or policy, and the facts incident to the application of it. It is expected that the material thus assembled, aside from the omission of trivial and inconsequential details, will be substantially complete as regards the files of the Department.

The development of the science of international law has become a matter of such weight and general concern that it is recommended that the Chief of the Division of Publications [Division of Research and Publication], with the help and counsel of the Solicitor [Legal Adviser], should give special attention to the publication of all important decisions made by the Department relating to international law, with a view to making available for general study and use the annual

contributions of the Department to this important branch of jurisprudence. It is likewise believed that the Department may profitably inaugurate the practice of printing a record of treaty negotiations, and it is, therefore, suggested that such material be added, beginning with *Foreign Relations 1918*, which is now in the process of editing.

When the documents on a given subject have been assembled in the Division of Publications [Division of Research and Publication], they should be submitted to the Solicitor [Legal Adviser] or to the Chief of the appropriate division which has had immediate supervision of the topic. The Solicitor [Legal Adviser], or the heads of these divisions, respectively, are charged with the duty of reviewing the material thus assembled and indicating any omissions which appear to be required. Omissions of the following kind are recognized as legitimate and necessary:

(*a*) Matters which if published at the time would tend to embarrass negotiations or other business;
(*b*) To condense the record and avoid needless details;
(*c*) To preserve the confidence reposed in the Department by other governments and by individuals;
(*d*) To avoid needless offense to other nationalities or individuals by excising invidious comments not relevant or essential to the subject; and,
(*e*) To suppress personal opinions presented in despatches and not adopted by the Department. To this there is one qualification, namely, that in major decisions it is desirable, where possible, to show the choices presented to the Department when the decision was made.

On the other hand, there must be no alteration of the text, no deletions without indicating the place in the text where the deletion is made, and no omission of facts which were of major importance in reaching a decision. Nothing should be omitted with a view to concealing or glossing over what might be regarded by some as a defect of a policy.

Where a document refers to two or more subjects, provided there are no other objections, it should be printed in its entirety, and not divided for purposes of more exact classification in editing. Great care must be taken to avoid the mutilation of documents. On the other hand, when a foreign government, in giving permission to use a communication, requests the deletion of any part of it, it is usually preferable to publish the document in part rather than to omit it entirely. A similar principle may be applied with reference to documents originating with the American Government.

The Chief of the Division of Publications [Division of Research and Publication] is expected to initiate, through the appropriate channels, the correspondence necessary to secure from a foreign government permission to publish any document received from it and which it is desired to publish as a part of the diplomatic correspondence of the United States. Without such permission, the document in question must not be used. The offices and divisions concerned in this process of editing may be expected to cooperate heartily with a view to the preparation of an adequate and honest record.

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MESSAGES OF THE PRESIDENT OF THE UNITED STATES TO CONGRESS

MESSAGE OF DECEMBER 8, 1931

To the Senate and House of Representatives:

It is my duty under the Constitution to transmit to the Congress information on the state of the Union and to recommend for its consideration necessary and expedient measures.

The chief influence affecting the state of the Union during the past year has been the continued world-wide economic disturbance. Our national concern has been to meet the emergencies it has created for us and to lay the foundations for recovery.

If we lift our vision beyond these immediate emergencies we find fundamental national gains even amid depression. In meeting the problems of this difficult period, we have witnessed a remarkable development of the sense of cooperation in the community. For the first time in the history of our major economic depressions there has been a notable absence of public disorders and industrial conflict. Above all there is an enlargement of social and spiritual responsibility among the people. The strains and stresses upon business have resulted in closer application, in saner policies, and in better methods. Public improvements have been carried out on a larger scale than even in normal times. The country is richer in physical property, in newly discovered resources, and in productive capacity than ever before. There has been constant gain in knowledge and education; there has been continuous advance in science and invention; there has been distinct gain in public health. Business depressions have been recurrent in the life of our country and are but transitory. The Nation has emerged from each of them with increased strength and virility because of the enlightenment they have brought, the readjustments and the larger understanding of the realities and obligations of life and work which come from them.

National Defense

Both our Army and Navy have been maintained in a high state of efficiency. The ability and devotion of both officers and men sustain the highest traditions of the service. Reductions and postponements in expenditure of these departments to meet the present emergency are being made without reducing existing personnel or impairing the morale of either establishment.

The agreement between the leading naval powers for limitation of naval armaments and establishment of their relative strength and thus elimination of competitive building also implies for ourselves the gradual expansion of the deficient categories in our Navy to the parities provided in those treaties. However, none of the other nations, parties to these agreements, is to-day maintaining the full rate of construction which the treaty size of fleets would imply.

Although these agreements secured the maximum reduction of fleets which it was at that time possible to attain, I am hopeful that the naval powers, party to these agreements, will realize that establishment of relative strength in itself offers opportunity for further reduction without injury to any of them. This would be the more possible if pending negotiations are successful between France and Italy. If the world is to regain its standards of life, it must further decrease both naval and other arms. The subject will come before the General Disarmament Conference which meets in Geneva on February 2 next.

Foreign Affairs

We are at peace with the world. We have cooperated with other nations to preserve peace. The rights of our citizens abroad have been protected.

The economic depression has continued and deepened in every part of the world during the past year. In many countries political instability, excessive armaments, debts, governmental expenditures, and taxes have resulted in revolutions, in unbalanced budgets and monetary collapse and financial panics, in dumping of goods upon world markets, and in diminished consumption of commodities.

Within 2 years there have been revolutions or acute social disorders in 19 countries, embracing more than half the population of the world. Ten countries have been unable to meet their external obligations. In 14 countries, embracing a quarter of the world's population, former monetary standards have been temporarily abandoned. In a number of countries there have been acute financial panics or compulsory restraints upon banking. These disturbances have many roots in the dislocations from the World War. Every one of them has reacted upon us. They have sharply affected the markets and prices of our agricultural and industrial products. They have increased unemployment and greatly embarrassed our financial and credit system.

As our difficulties during the past year have plainly originated in large degree from these sources, any effort to bring about our own recuperation has dictated the necessity of cooperation by us with other nations in reasonable effort to restore world confidence and economic stability.

Cooperation of our Federal Reserve System and our banks with the central banks in foreign countries has contributed to localize and ameliorate a number of serious financial crises or moderate the pressures upon us and thus avert disasters which would have affected us.

The economic crisis in Germany and Central Europe last June rose to the dimensions of a general panic from which it was apparent that without assistance these nations must collapse. Apprehensions of such collapse had demoralized our agricultural and security markets and so threatened other nations as to impose further dangers upon us. But of highest importance was the necessity of cooperation on our part to relieve the people of Germany from imminent disasters and to maintain their important relations to progress and stability in the world. Upon the initiative of this Government a year's postponement of reparations and other intergovernmental debts was brought about. Upon our further initiative an agreement was made by Germany's private creditors providing for an extension of such credits until the German people can develop more permanent and definite forms of relief.

We have continued our policy of withdrawing our Marines from Haiti and Nicaragua.

The difficulties between China and Japan have given us great concern, not alone for the maintenance of the spirit of the Kellogg-Briand Pact, but for the maintenance of the treaties to which we are a party assuring the territorial integrity of China. It is our purpose to assist in finding solutions sustaining the full spirit of those treaties.

I shall deal at greater length with our foreign relations in a later message.

The Domestic Situation

Many undertakings have been organized and forwarded during the past year to meet the new and changing emergencies which have constantly confronted us.

Broadly the community has cooperated to meet the needs of honest distress, and to take such emergency measures as would sustain confidence in our financial system and would cushion the violence of liquidation in industry and commerce, thus giving time for orderly readjustment of costs, inventories, and credits without panic and widespread bankruptcy. These measures have served those purposes and will promote recovery.

In these measures we have striven to mobilize and stimulate private initiative and local and community responsibility. There has been the least possible Government entry into the economic field, and that only in temporary and emergency form. Our citizens and our local governments have given a magnificent display of unity and action,

initiative and patriotism in solving a multitude of difficulties and in cooperating with the Federal Government.

For a proper understanding of my recommendations to the Congress it is desirable very briefly to review such activities during the past year.

The emergencies of unemployment have been met by action in many directions. The appropriations for the continued speeding up of the great Federal construction program have provided direct and indirect aid to employment upon a large scale. By organized unity of action, the States and municipalities have also maintained large programs of public improvement. Many industries have been prevailed upon to anticipate and intensify construction. Industrial concerns and other employers have been organized to spread available work amongst all their employees, instead of discharging a portion of them. A large majority have maintained wages at as high levels as the safe conduct of their business would permit. This course has saved us from industrial conflict and disorder which have characterized all previous depressions. Immigration has been curtailed by administrative action. Upon the basis of normal immigration the decrease amounts to about 300,000 individuals who otherwise would have been added to our unemployment. The expansion of Federal employment agencies under appropriations by the Congress has proved most effective. Through the President's organization for unemployment relief, public and private agencies were successfully mobilized last winter to provide employment and other measures against distress. Similar organization gives assurance against suffering during the coming winter. Committees of leading citizens are now active at practically every point of unemployment. In the large majority they have been assured the funds necessary which, together with local government aids, will meet the situation. A few exceptional localities will be further organized. The evidence of the Public Health Service shows an actual decrease of sickness and infant and general mortality below normal years. No greater proof could be adduced that our people have been protected from hunger and cold and that the sense of social responsibility in the Nation has responded to the need of the unfortunate.

To meet the emergencies in agriculture the loans authorized by Congress for rehabilitation in the drought areas have enabled farmers to produce abundant crops in those districts. The Red Cross undertook and magnificently administered relief for over 2,500,000 drought sufferers last winter. It has undertaken this year to administer relief to 100,000 sufferers in the new drought area of certain Northwest States. The action of the Federal Farm Board in granting credits to farm cooperatives saved many of them from bankruptcy and increased their purpose and strength. By enabling farm cooperatives to cushion the fall in prices of farm products in 1930 and 1931 the Board secured higher prices to the farmer than would have been obtained otherwise,

although the benefits of this action were partially defeated by continued world overproduction. Incident to this action the failure of a large number of farmers and of country banks was averted which could quite possibly have spread into a major disaster. The banks in the South have cooperated with the Farm Board in creation of a pool for the better marketing of accumulated cotton. Growers have been materially assisted by this action. Constant effort has been made to reduce overproduction in relief of agriculture and to promote the foreign buying of agricultural products by sustaining economic stability abroad.

To meet our domestic emergencies in credit and banking arising from the reaction to acute crises abroad the National Credit Association was set up by the banks with resources of $500,000,000 to support sound banks against the frightened withdrawals and hoarding. It is giving aid to reopen solvent banks which have been closed. Federal officials have brought about many beneficial unions of banks and have employed other means which have prevented many bank closings. As a result of these measures the hoarding withdrawals which had risen to over $250,000,000 per week after the British crisis have substantially ceased.

Further Measures

The major economic forces and weaknesses at home and abroad have now been exposed and can be appraised, and the time is ripe for forward action to expedite our recovery.

Although some of the causes of our depression are due to speculation, inflation of securities and real estate, unsound foreign investments, and mismanagement of financial institutions, yet our self-contained national economy, with its matchless strength and resources, would have enabled us to recover long since but for the continued dislocations, shocks, and setbacks from abroad.

Whatever the causes may be, the vast liquidation and readjustments which have taken place have left us with a large degree of credit paralysis, which, together with the situation in our railways and the conditions abroad, are now the outstanding obstacles to recuperation. If we can put our financial resources to work and can ameliorate the financial situation in the railways, I am confident we can make a large measure of recovery independent of the rest of the world. A strong America is the highest contribution to world stability.

One phase of the credit situation is indicated in the banks. During the past year banks, representing 3 percent of our total deposits have been closed. A large part of these failures have been caused by withdrawals for hoarding, as distinguished from the failures early in the depression where weakness due to mismanagement was the larger cause of failure. Despite their closing, many of them will pay in

full. Although such withdrawals have practically ceased, yet $1,100,000,000 of currency was previously withdrawn which has still to return to circulation. This represents a large reduction of the ability of our banks to extend credit which would otherwise fertilize industry and agriculture. Furthermore, many of our bankers, in order to prepare themselves to meet possible withdrawals, have felt compelled to call in loans, to refuse new credits, and to realize upon securities, which in turn has demoralized the markets. The paralysis has been further augmented by the steady increase in recent years of the proportion of bank assets invested in long-term securities, such as mortgages and bonds. These securities tend to lose their liquidity in depression or temporarily to fall in value so that the ability of the banks to meet the shock of sudden withdrawal is greatly lessened and the restriction of all kinds of credit is thereby increased. The continuing credit paralysis has operated to accentuate the deflation and liquidation of commodities, real estate, and securities below any reasonable basis of values.

All of this tends to stifle business, especially the smaller units, and finally expresses itself in further depression of prices and values, in restriction on new enterprise, and in increased unemployment.

The situation largely arises from an unjustified lack of confidence. We have enormous volumes of idle money in the banks and in hoarding. We do not require more money or working capital—we need to put what we have to work.

The fundamental difficulties which have brought about financial strains in foreign countries do not exist in the United States. No external drain on our resources can threaten our position, because the balance of international payments is in our favor; we owe less to foreign countries than they owe to us; our industries are efficiently organized; our currency and bank deposits are protected by the greatest gold reserve in history.

Our first step toward recovery is to reestablish confidence and thus restore the flow of credit which is the very basis of our economic life. We must put some steel beams in the foundations of our credit structure. It is our duty to apply the full strength of our Government not only to the immediate phases, but to provide security against shocks and the repetition of the weaknesses which have been proven.

The recommendations which I here lay before the Congress are designed to meet these needs by strengthening financial, industrial, and agricultural life through the medium of our existing institutions, and thus to avoid the entry of the Government into competition with private business.

Federal Government Finance

The first requirement of confidence and of economic recovery is financial stability of the United States Government. I shall deal with fiscal questions at greater length in the Budget message. But I must at this time call attention to the magnitude of the deficits which have developed and the resulting necessity for determined and courageous policies. These deficits arise in the main from the heavy decrease in tax receipts due to the depression and to the increase in expenditure on construction in aid to unemployment, aids to agriculture, and upon services to veterans.

During the fiscal year ending June 30 last we incurred a deficit of about $903,000,000, which included the statutory reduction of the debt and represented an increase of the national debt by $616,000,000. Of this, however, $153,000,000 is offset by increased cash balances.

In comparison with the fiscal year 1928 there is indicated a fall in Federal receipts for the present fiscal year amounting to $1,683,000,000, of which $1,034,000,000 is in individual and corporate income taxes alone. During this fiscal year there will be an increased expenditure, as compared to 1928, on veterans of $255,000,000, and an increased expenditure on construction work which may reach $520,000,000. Despite large economies in other directions, we have an indicated deficit, including the statutory retirement of the debt, of $2,123,000,000, and an indicated net debt increase of about $1,711,000,000.

The Budget for the fiscal year beginning July 1 next, after allowing for some increase of taxes under the present laws and after allowing for drastic reduction in expenditures, still indicates a deficit of $1,417,000,000. After offsetting the statutory debt retirements this would indicate an increase in the national debt for the fiscal year 1933 of about $921,000,000.

Several conclusions are inevitable. We must have insistent and determined reduction in Government expenses. We must face a temporary increase in taxes. Such increase should not cover the whole of these deficits or it will retard recovery. We must partially finance the deficit by borrowing. It is my view that the amount of taxation should be fixed so as to balance the Budget for 1933 except for the statutory debt retirement. Such Government receipts would assure the balance of the following year's budget including debt retirement. It is my further view that the additional taxation should be imposed solely as an emergency measure terminating definitely 2 years from July 1 next. Such a basis will give confidence in the determination of the Government to stabilize its finance and will assure taxpayers

of its temporary character. Even with increased taxation, the Government will reach the utmost safe limit of its borrowing capacity by the expenditures for which we are already obligated and the recommendations here proposed. To go further than these limits in either expenditures, taxes, or borrowing will destroy confidence, denude commerce and industry of its resources, jeopardize the financial system, and actually extend unemployment and demoralize agriculture rather than relieve it.

Federal Land Banks

I recommend that the Congress authorize the subscription by the Treasury of further capital to the Federal land banks to be retired as provided in the original act, or when funds are available, and that repayments of such capital be treated as a fund available for further subscriptions in the same manner. It is urgent that the banks be supported so as to stabilize the market values of their bonds and thus secure capital for the farmers at low rates, that they may continue their services to agriculture and that they may meet the present situation with consideration to the farmers.

Deposits in Closed Banks

A method should be devised to make available quickly to depositors some portion of their deposits in closed banks as the assets of such banks may warrant. Such provision would go far to relieve distress in a multitude of families, would stabilize values in many communities, and would liberate working capital to thousands of concerns. I recommend that measures be enacted promptly to accomplish these results and I suggest that the Congress should consider the development of such a plan through the Federal Reserve banks.

Home-Loan Discount Banks

I recommend the establishment of a system of home-loan discount banks as the necessary companion in our financial structure of the Federal Reserve banks and our Federal land banks. Such action will relieve present distressing pressures against home and farm property owners. It will relieve pressures upon and give added strength to building and loan associations, savings banks, and deposit banks, engaged in extending such credits. Such action would further decentralize our credit structure. It would revive residential construction and employment. It would enable such loaning institutions more effectually to promote home ownership. I discussed this plan at some length in a statement made public November 14, last. This plan has been warmly indorsed by the recent National Conference upon Home Ownership and Housing, whose members were designated by the governors of the States and the groups interested.

Reconstruction Finance Corporation

In order that the public may be absolutely assured and that the Government may be in position to meet any public necessity, I recommend that an emergency Reconstruction Corporation of the nature of the former War Finance Corporation should be established. It may not be necessary to use such an instrumentality very extensively. The very existence of such a bulwark will strengthen confidence. The Treasury should be authorized to subscribe a reasonable capital to it, and it should be given authority to issue its own debentures. It should be placed in liquidation at the end of 2 years. Its purpose is that by strengthening the weak spots to thus liberate the full strength of the Nation's resources. It should be in position to facilitate exports by American agencies; make advances to agricultural credit agencies where necessary to protect and aid the agricultural industry; to make temporary advances upon proper securities to established industries, railways, and financial institutions which can not otherwise secure credit, and where such advances will protect the credit structure and stimulate employment. Its functions would not overlap those of the National Credit Corporation.

Federal Reserve Eligibility

On October 6th I issued a statement that I should recommend to the Congress an extension during emergencies of the eligibility provisions in the Federal Reserve Act. This statement was approved by a representative gathering of the Members of both Houses of the Congress, including members of the appropriate committees. It was approved by the officials of the Treasury Department, and I understand such an extension has been approved by a majority of the governors of the Federal Reserve banks. Nothing should be done which would lower the safeguards of the System.

The establishment of the mortgage-discount banks herein referred to will also contribute to further reserve strength in the banks without inflation.

Banking Laws

Our people have a right to a banking system in which their deposits shall be safeguarded and the flow of credit less subject to storms. The need of a sounder system is plainly shown by the extent of bank failures. I recommend the prompt improvement of the banking laws. Changed financial conditions and commercial practices must be met. The Congress should investigate the need for separation between different kinds of banking; an enlargement of branch banking under proper restrictions; and the methods by which enlarged membership in the Federal Reserve System may be brought about.

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Postal Savings Banks

The Postal Savings deposits have increased from about $200,000,000 to about $550,000,000 during the past year. This experience has raised important practical questions in relation to deposits and investments which should receive the attention of the Congress.

Railways

The railways present one of our immediate and pressing problems. They are and must remain the backbone of our transportation system. Their prosperity is interrelated with the prosperity of all industries. Their fundamental service in transportation, the volume of their employment, their buying power for supplies from other industries, the enormous investment in their securities, particularly their bonds, by insurance companies, savings banks, benevolent and other trusts, all reflect their partnership in the whole economic fabric. Through these institutions the railway bonds are in a large sense the investment of every family. The well-maintained and successful operation and the stability of railway finances are of primary importance to economic recovery. They should have more effective opportunity to reduce operating costs by proper consolidation. As their rates must be regulated in public interest, so also approximate regulation should be applied to competing services by some authority. The methods of their regulation should be revised. The Interstate Commerce Commission has made important and far-reaching recommendations upon the whole subject, which I commend to the early consideration of the Congress.

Antitrust Laws

In my message of a year ago I commented on the necessity of congressional inquiry into the economic action of the antitrust laws. There is wide conviction that some change should be made especially in the procedure under these laws. I do not favor their repeal. Such action would open wide the door to price fixing, monopoly, and destruction of healthy competition. Particular attention should be given to the industries founded upon natural resources, especially where destructive competition produces great wastes of these resources and brings great hardships upon operators, employees, and the public. In recent years there has been continued demoralization in the bituminous coal, oil, and lumber industries. I again commend the matter to the consideration of the Congress.

UNEMPLOYMENT

As an aid to unemployment the Federal Government is engaged in the greatest program of public-building, harbor, flood-control, highway, waterway, aviation, merchant and naval ship construction in all history. Our expenditures on these works during this calendar year will reach about $780,000,000 compared with $260,000,000 in 1928. Through this increased construction, through the maintenance of a full complement of Federal employees, and through services to veterans it is estimated that the Federal taxpayer is now directly contributing to the livelihood of 10,000,000 of our citizens.

We must avoid burdens upon the Government which will create more unemployment in private industry than can be gained by further expansion of employment by the Federal Government. We can now stimulate employment and agriculture more effectually and speedily through the voluntary measures in progress, through the thawing out of credit, through the building up of stability abroad, through the home-loan discount banks, through an emergency finance corporation and the rehabilitation of the railways and other such directions.

I am opposed to any direct or indirect Government dole. The breakdown and increased unemployment in Europe is due in part to such practices. Our people are providing against distress from unemployment in true American fashion by a magnificent response to public appeal and by action of the local governments.

GENERAL LEGISLATION

There are many other subjects requiring legislative action at this session of the Congress. I may list the following among them:

VETERANS' SERVICES

The law enacted last March authorizing loans of 50 percent upon adjusted-service certificates has, together with the loans made under previous laws, resulted in payments of about $1,260,000,000. Appropriations have been exhausted. The Administrator of Veterans' Affairs advises that a further appropriation of $200,000,000 is required at once to meet the obligations made necessary by existing legislation.

There will be demands for further veterans' legislation; there are inequalities in our system of veterans' relief; it is our national duty to meet our obligations to those who have served the Nation. But our present expenditure upon these services now exceeds $1,000,000,000 per annum. I am opposed to any extension of these expenditures until the country has recovered from the present situation.

Electrical-Power Regulation

I have recommended in previous messages the effective regulation of interstate electrical power as the essential function of the reorganized Federal Power Commission. I renew the recommendation. It is urgently needed in public protection.

Muscle Shoals

At my suggestion, the Governors and Legislatures of Alabama and Tennessee selected three members each for service on a committee to which I appointed a representative of the farm organizations and two representatives of the War Department for the purpose of recommending a plan for the disposal of these properties which would be in the interest of the people of those States and the agricultural industry throughout the country. I shall transmit the recommendations to the Congress.

Reorganization of Federal Departments

I have referred in previous messages to the profound need of further reorganization and consolidation of Federal administrative functions to eliminate overlap and waste, and to enable coordination and definition of Government policies now wholly impossible in scattered and conflicting agencies which deal with parts of the same major function. I shall lay before the Congress further recommendations upon this subject, particularly in relation to the Department of the Interior. There are two directions of such reorganization, however, which have an important bearing upon the emergency problems with which we are confronted.

Shipping Board

At present the Shipping Board exercises large administrative functions independent of the Executive. These administrative functions should be transferred to the Department of Commerce, in keeping with that single responsibility which has been the basis of our governmental structure since its foundation. There should be created in that department a position of Assistant Secretary for Merchant Marine, under whom this work and the several bureaus having to do with merchant marine may be grouped.

The Shipping Board should be made a regulatory body acting also in advisory capacity on loans and policies, in keeping with its original conception. Its regulatory powers should be amended to include regulation of coastwise shipping so as to assure stability and better service. It is also worthy of consideration that the regulation of rates and services upon the inland waterways should be assigned to such a reorganized board.

Reorganization of Public Works Administration

I recommend that all building and construction activities of the Government now carried on by many departments be consolidated into an independent establishment under the President to be known as the "Public Works Administration" directed by a Public Works Administrator. This agency should undertake all construction work in service to the different departments of the Government (except naval and military work). The services of the Corps of Army Engineers should be delegated in rotation for military duty to this administration in continuation of their supervision of river and harbor work. Great economies, sounder policies, more effective coordination to employment, and expedition in all construction work would result from this consolidation.

Law Enforcement

I shall present some recommendations in a special message looking to the strengthening of criminal-law enforcement and improvement in judicial procedure connected therewith.

Inland Waterway and Harbor Improvement

These improvements are now proceeding upon an unprecedented scale. Some indication of the volume of work in progress is conveyed by the fact that during the current year over 380,000,000 cubic yards of material have been moved—an amount equal to the entire removal in the construction of the Panama Canal. The Mississippi waterway system, connecting Chicago, Kansas City, Pittsburgh, and New Orleans, will be in full operation during 1933. Substantial progress is being made upon the projects of the upper Missouri, upper Mississippi, etc.

Negotiations are now in progress with Canada for the construction of the St. Lawrence Waterway.

The Tariff

Wages and standards of living abroad have been materially lowered during the past year. The temporary abandonment of the gold standard by certain countries has also reduced their production costs compared to ours. Fortunately any increases in the tariff which may be necessary to protect agriculture and industry from these lowered foreign costs, or decreases in items which may prove to be excessive, may be undertaken at any time by the Tariff Commission under authority which it possesses by virtue of the Tariff Act of 1930. The Commission during the past year has reviewed the rates upon over 254 items subject to tariff. As a result of vigorous and indus-

trious action, it is up to date in the consideration of pending references and is prepared to give prompt attention to any further applications. This procedure presents an orderly method for correcting inequalities. I am opposed to any general congressional revision of the tariff. Such action would disturb industry, business, and agriculture. It would prolong the depression.

Immigration and Deportation

I recommend that immigration restriction now in force under administrative action be placed upon a more definite basis by law. The deportation laws should be strengthened. Aliens lawfully in the country should be protected by the issuance of a certificate of residence.

Public Health

I again call attention to my previous recommendations upon this subject, particularly in its relation to children. The moral results are of the utmost importance.

Conclusion

It is inevitable that in these times much of the legislation proposed to the Congress and many of the recommendations of the Executive must be designed to meet emergencies. In reaching solutions we must not jeopardize those principles which we have found to be the basis of the growth of the Nation. The Federal Government must not encroach upon nor permit local communities to abandon that precious possession of local initiative and responsibility. Again, just as the largest measure of responsibility in the government of the Nation rests upon local self-government, so does the largest measure of social responsibility in our country rest upon the individual. If the individual surrenders his own initiative and responsibilities, he is surrendering his own freedom and his own liberty. It is the duty of the National Government to insist that both the local governments and the individual shall assume and bear these responsibilities as a fundamental of preserving the very basis of our freedom.

Many vital changes and movements of vast proportions are taking place in the economic world. The effect of these changes upon the future can not be seen clearly as yet. Of this, however, we are sure: Our system, based upon the ideals of individual initiative and of equality of opportunity, is not an artificial thing. Rather it is the outgrowth of the experience of America, and expresses the faith and spirit of our people. It has carried us in a century and a half to leadership of the economic world. If our economic system does not match our highest expectations at all times, it does not require revo-

lutionary action to bring it into accord with any necessity that experience may prove. It has successfully adjusted itself to changing conditions in the past. It will do so again. The mobility of our institutions, the richness of our resources, and the abilities of our people enable us to meet them unafraid. It is a distressful time for many of our people, but they have shown qualities as high in fortitude, courage, and resourcefulness as ever in our history. With that spirit, I have faith that out of it will come a sounder life, a truer standard of values, a greater recognition of the results of honest effort, and a healthier atmosphere in which to rear our children. Ours must be a country of such stability and security as can not fail to carry forward and enlarge among all the people that abundant life of material and spiritual opportunity which it has represented among all nations since its beginning.

HERBERT HOOVER

THE WHITE HOUSE, December 8, 1931.

MESSAGE OF DECEMBER 10, 1931

TO THE SENATE AND HOUSE OF REPRESENTATIVES:

In my message of the 8th instant I stated that I should address the Congress at greater length upon our foreign affairs.

WORLD WAR DEBT POSTPONEMENT

With the support of a large majority of the individual Members of the Senate and House, I informed the governments concerned last June that—

"The American Government proposes the postponement during one year of all payments on intergovernmental debts, reparations, and relief debts, both principal and interest, of course not including obligations of governments held by private parties. Subject to confirmation by Congress, the American Government will postpone all payments upon the debts of foreign governments to the American Government payable during the fiscal year beginning July 1 next, conditional on a like postponement for one year of all payments on intergovernmental debts owing the important creditor powers."

In making this proposal, I also publicly stated:

"The purpose of this action is to give the forthcoming year to the economic recovery of the world and to help free the recuperative forces already in motion in the United States from retarding influences from abroad.

"The world-wide depression has affected the countries of Europe more severely than our own. Some of these countries are feeling to a serious extent the drain of this depression on national economy. The fabric of intergovernmental debts, supportable in normal times, weighs heavily in the midst of this depression.

"From a variety of causes arising out of the depression, such as the fall in the price of foreign commodities and the lack of confidence in economic and political stability abroad, there is an abnormal movement of gold into the United States which is lowering the credit stability of many foreign countries. These and the other difficulties abroad diminish buying power for our exports and in a measure are the cause of our continued unemployment and continued lower prices to our farmers.

"Wise and timely action should contribute to relieve the pressure of these adverse forces in foreign countries and should assist in the reestablishment of confidence, thus forwarding political peace and economic stability in the world.

"Authority of the President to deal with this problem is limited, as this action must be supported by the Congress. It has been assured the cordial support of leading members of both parties in the Senate and the House. The essence of this proposition is to give time to permit debtor governments to recover their national prosperity. I am suggesting to the American people that they be wise creditors in their own interest and be good neighbors.

"I wish to take this occasion also to frankly state my views upon our relations to German reparations and the debts owed to us by the allied Governments of Europe. Our Government has not been a party to, or exerted any voice in determination of, reparation obligations. We purposely did not participate in either general reparations or the division of colonies or property. The repayment of debts due to us from the Allies for the advance for war and reconstruction were settled upon a basis not contingent upon German reparations or related thereto. Therefore, reparations is necessarily wholly a European problem with which we have no relation.

"I do not approve in any remote sense of the cancellation of the debts to us. World confidence would not be enhanced by such action. None of our debtor nations have ever suggested it. But as the basis of the settlement of these debts was the capacity under normal conditions of the debtor to pay, we should be consistent with our own policies and principles if we take into account the abnormal situation now existing in the world. I am sure the American people have no desire to attempt to extract any sum beyond the capacity of any debtor to pay, and it is our view that broad vision requires that our Government should recognize the situation as it exists.

"This course of action is entirely consistent with the policy which we have hitherto pursued. We are not involved in the discussion of strictly European problems, of which the payment of German reparations is one. It represents our willingness to make a contribution to the early restoration of world prosperity in which our own people have so deep an interest.

"I wish further to add that while this action has no bearing on the conference for limitation of land armaments to be held next February, inasmuch as the burden of competitive armaments has contributed to bring about this depression, we trust that by this evidence of our desire to assist we shall have contributed to the good will which is so necessary in the solution of this major question."

All the important creditor governments accepted this proposal. The necessary agreements among them have been executed, and credi-

tor governments have foregone the receipt of payments due them since July 1, 1931.

The effect of this agreement was instantaneous in reversing the drift toward general economic panic and has served to give time to the peoples of those countries to readjust their economic life. The action taken was necessary. I am confident it commends itself to the judgment of the American people.

Payments due to the United States Government from many countries, both on account of principal and interest, fall due on December 15th. It is highly desirable that a law should be enacted before that date authorizing the Secretary of the Treasury, with the approval of the President, to postpone all payments due us on account of debts owed by foreign governments to the United States Government during the year ending June 30, 1932, and to provide for their payment over a 10-year period, beginning July 1, 1933.

As we approach the new year it is clear that a number of the governments indebted to us will be unable to meet further payments to us in full pending recovery in their economic life. It is useless to blind ourselves to an obvious fact. Therefore it will be necessary in some cases to make still further temporary adjustments.

The Congress has shared with the Executive in the past the consideration of questions arising from these debts. I am sure that it will commend itself to the Congress, that the legislative branch of the Government should continue to share this responsibility. In order that we should be in position to deal with the situation, I recommend the re-creation of the World War Foreign Debt Commission, with authority to examine such problems as may arise in connection with these debts during the present economic emergency, and to report to the Congress its conclusions and recommendations.

Disarmament

The United States has accepted an invitation to take part in the World Disarmament Conference which convenes on February 2 at Geneva. The efforts of this Conference will be in line with the endeavors in which the American Government has taken a leading part beginning with The Hague Conference in 1899. Up to the present time the record of achievement has been almost entirely in the field of naval disarmament. It is to be hoped that further progress can be made in reduction of naval arms and that limitation and reduction so urgently needed can be extended to land arms.

The burden of taxes to support armament is greater today than before the Great War, and the economic instability of the world is definitely due in part to this cause and the fears which these huge armaments at all times create. No discouragements should be permitted to turn the world from sane and reasonable limitation of arms.

With a view to establishing an atmosphere of confidence for the opening of this World Disarmament Conference, more than 40 Governments, including all the principal military and naval powers, have joined in accepting the principle of one-year armaments truce. This truce, which is the outgrowth of a proposal advanced last September by the Foreign Minister of Italy, is designed to prevent the expansion of armaments program during the coming months in the hope of removing the threat of a sudden revival of competition in arms before and during the Conference. These steps were fully approved by our War and Navy Departments.

MANCHURIA

We have been deeply concerned over the situation in Manchuria. As parties to the Kellogg-Briand Pact and to the Nine-Power Treaty, we have a responsibility in maintaining the integrity of China and a direct interest with other nations in maintaining peace here.

When this controversy originated in September the League of Nations was in session and China appealed to the Council of that body which at once undertook measures of conciliation between China and Japan. Both China and Japan have participated in these proceedings before the Council ever since. Under the Kellogg-Briand Pact all of the signatories, including China and Japan, have convenanted to seek none but pacific means in the settlement of their disputes. Thus the ultimate purpose of proceedings under this section of the Kellogg-Briand Pact and of conciliation proceedings by the League Covenant coincide. It seemed, therefore, both wise and appropriate rather to aid and advise with the League and thus have unity of world effort to maintain peace than to take independent action. In all negotiations, however, the Department of State has maintained complete freedom of judgment and action as to participation in any measures which the League might finally be determined upon.

Immediately after the outbreak of the trouble this Government advised both Japan and China of its serious interest. Subsequently it communicated its views to both Governments regarding their obligations under the Kellogg-Briand Pact. In this action we were joined by other nations signatory of the Pact. This Government has consistently and repeatedly by diplomatic representations indicated its unremitting solicitude that these treaty obligations be respected. In the recurring efforts of the nations to bring about a peaceful settlement this Government has realized that the exercise of the utmost patience was desirable, and it is believed that public opinion in this country has appreciated the wisdom of this restraint.

At present a resolution is pending before the meeting at Paris, with hopes of passage, under which Japan and China will agree to take no initiative which might lead to renewed conflict; in which Japan

has reiterated its intention to withdraw the Japanese troops to the railway zone as soon as lives and property of Japanese nationals in Manchuria can be adequately protected; and under which both nations agree to a neutral commission to meet on the ground, to which commission all matters in dispute can be referred for investigation and report.

St. Lawrence Waterway

Conversations were begun between the Secretary of State and the Canadian Minister at Washington on November 14 looking to the framing of a treaty for the development of the St. Lawrence Seaway. The negotiations are continuing. I am hopeful that an agreement may result within a reasonable time enabling us to begin work on this great project, which will be of much importance economically to Canada and to the United States.

Visits of M. Laval and Signor Grandi

The President of the Council of Ministers of France, M. Laval, visited Washington in October in order to discuss problems of outstanding world interest, in the solution of which it was felt that the two countries could be of assistance. The informal and cordial conversations served to bring into relief the respective positions of the two nations.

The visit in November of the Royal Italian Minister for Foreign Affairs also afforded an opportunity for a cordial exchange of views respecting the many world problems in which this Government and the Government of Italy are interested.

It was not the purpose of these meetings to engage in any commitments or to conclude agreements. However, the visits of M. Laval and Signor Grandi, together with the various meetings of statesmen in Europe and the visit of the Secretary of State to European countries, have brought about valuable understanding of the nature of the problems confronting different governments which should aid in their solution.

Nicaragua

In compliance with the agreement made in May, 1927, the Nicaraguan Government requested supervision by an electoral commission from the United States of the congressional elections held in 1930. This year a member of the commissions of 1928 and 1930 was sent to Nicaragua as an observer during the election of municipal authorities in order that, on the basis of his observations, it might be possible to arrange the many necessary details of the supervision of the 1932 presidential election in Nicaragua.

Armed forces of the United States maintained in Nicaragua have been reduced to the minimum deemed necessary to the training of the Nicaraguan Constabulary and the rendering of appropriate support for such instruction. It is proposed to withdraw completely American armed forces from Nicaragua after their presidential election in 1932.

Nicaragua suffered a terrible disaster in the destruction of Managua, the capital, by earthquake and fire in March last. With their usual generosity the American people, through the Red Cross, went wholeheartedly to the assistance of the stricken country. United States marines and engineers of the War Department, who were in the country making a survey of the proposed canal route, joined in rendering service. The American Legation building was destroyed with all its contents, but the Minister and his staff continued to carry on their official duties and worked ceaselessly in the face of unusual hardships. The Nicaraguan Government has expressed its deep gratitude for the aid rendered.

HAITI

Substantial progress has been made in carrying out the program for the withdrawal of our activities in Haiti recommended by the Commission which, with the support of the Congress, made an investigation of Haitian affairs in 1930, and by its good offices laid the foundation for the present popularly elected Government of that Republic.

After protracted negotiations an accord was reached with the Haitian Government on August 5 providing for the return to Haitian control of important Government services heretofore carried on under American supervision by virtue of general obligations arising through the provisions of our treaty with Haiti. In accordance with this agreement the Haitian Government on October 1 assumed definitely the administration and control of the Department of Public Works, the Sanitary Service, and the Technical Service of Agriculture, which includes the industrial educational system. All American personnel was withdrawn from these services. To minimize the possibility of epidemics, and in order that the health of the American troops and officials still stationed in Haiti might be adequately protected, the accord provided that an American scientific mission, consisting of three American naval officers and six hospital corpsmen, should be charged with the control of sanitation in the cities of Port au Prince and Cape Haitien.

The accord makes appropriate provision for the continuance of adequate financial control and assistance on the part of our Government. The liberty of action, both of the Government of the United States and the Government of Haiti with respect to questions of fi-

nancial administration, is, of course, limited. In this connection it must be borne in mind that investors have supplied capital desired by Haiti and that securities have been issued to them on the faith and credit of the provisions of that treaty and the American financial control which it provided during the life of the bonds.

Bolivia and Paraguay

In 1929 the Government of the United States, together with the Governments of Cuba, Colombia, Mexico, and Uruguay, formed the Commission on Inquiry and Conciliation, Bolivia–Paraguay, which had the good fortune of being able to terminate an international incident which for a time threatened to cause war between the countries involved. The five neutral Governments then offered their good offices to Bolivia and Paraguay, with a view to furthering a settlement of their difficulties. This offer was accepted in principle. I am happy to state that representatives of both countries are now meeting in Washington, with the hope of concluding a pact of nonaggression between them.

Arbitration of the Boundary Dispute Between Guatemala and Honduras

It has been the privilege of this Government to lend its good offices on several occasions in the past to the settlement of boundary disputes between the American Republics. One of the most recent occasions upon which the disinterested services of this Government were requested was in connection with the settlement of the dispute which for almost a century has been outstanding between the Republics of Guatemala and Honduras with respect to their common boundary. Conferences extending over a period of some months were held in 1930 in the Department of State, and eventually on July 16, 1930, a treaty was signed submitting the question to arbitration, and there was also signed a supplementary convention providing for the delimitation of the boundary after the Arbitral Tribunal hands down its award. Ratifications were exchanged on October 15, 1931. The Tribunal, which will meet in Washington, will be presided over by the Chief Justice of the United States, who has set December 15, 1931, as the date for the first meeting.

Mexico

The period for hearings before the General and Special Claims Commissions between this country and Mexico expired in August, 1931. Pursuant to a resolution of the Senate under date of February 28, 1931, and under instructions from the Department of State, the American Ambassador at Mexico City is carrying on negotiations with the Mexican Government looking to the renewal of the activities of the Com-

missions, in order that the claims of American citizens still pending may be heard and adjudicated.

The Governments of the United States and Mexico have approved in principle certain engineering plans submitted by the International Boundary Commission, United States and Mexico, for the rectification of the Rio Grande in the vicinity of El Paso, Tex., to prevent periodical floods in that region. Negotiations are being carried on between the two Governments in an effort to reach an agreement by which this important international project may be undertaken.

Treaties and Conventions Before the Senate

There have been transmitted to the Senate, from time to time, treaties and conventions which have failed during recent sessions to obtain that body's consideration or final decision. Inasmuch as these treaties affect numerous phases of private and public endeavor, I earnestly commend their early conclusion to the attention of the Congress.

In the past session of the Congress I transmitted to the Senate protocols providing for adherence by the United States to the Permanent Court of International Justice. Upon that occasion I expressed my views fully not only of the wisdom of such action, but that the safeguards against European entanglements stipulated for by the Senate had been in effect secured and the interests of the United States protected. I need not repeat that for over 12 years every President and every Secretary of State has urged this action as a material contribution to the pacific settlement of controversies among nations and a further assurance against war.

By consideration of legislation during its last session, the Congress informed itself thoroughly regarding the merits of the Copyright Convention signed at Berlin on November 13, 1908. I hope that necessary legislation will be enacted during this Congress which will make it possible for further consideration to be given to the Copyright Convention.

The Sockeye Salmon Fisheries Treaty, entered into with Canada to afford protection to the industry, which was signed on May 26, 1930, merits the attention of the Senate during the present session.

The United States sent a delegation to the Conference on Safety of Life at Sea, which was held in London in 1929. The convention, which was signed by the more important maritime nations of the world on May 31, 1929, has unified the standards of safety in accordance with modern developments of engineering science and in compliance with the governments' obligation to their citizens to reduce the perils of travel to a minimum by requiring high efficiency in seamanship.

The Convention for the Supervision of the International Trade in Arms and Ammunition and in Implements of War, signed at Geneva,

June 17, 1925, represents another of the steps taken in the general field of restriction of armament. It has been ratified unconditionally by some nations, conditionally by others. With the added impetus which ratification by the United States would lend to such a move, it is quite possible that the 14 ratifications necessary by treaty stipulation would be received to bring the convention into force.

Among the other treaties and conventions which remain before the Senate for its consideration and of no less importance in their respective fields are a treaty regarding consular agents of American States (Sixth International Conference of American States, Havana, 1928); a treaty relating to Maritime Neutrality with American States (Sixth International Conference of American States, Havana, 1928); the General Treaty of Inter-American Arbitration, signed at Washington January 5, 1929; the convention relating to prisoners of war, signed at Geneva on July 27, 1929; a convention signed on the same date for the amelioration of the conditions of wounded and sick of armies in the field (the Red Cross Convention); and the convention for the unification of certain rules relating to bills of lading for the carriage of goods by sea, signed at Brussels on behalf of the United States on June 23, 1925.

New Treaties and Conventions

Since my message to the seventy-second Congress and by virtue of the power vested in the office of the Chief Executive, I have continued to commission representatives of this Government to negotiate treaties with the representatives of other countries which affect the amicable, political, commercial, and juridical relations of this country, as well as treaties dealing with humanitarian matters.

Important treaties and conventions which have been signed recently by representatives of this Government are as follows:

1. Treaty of arbitration and conciliation with Switzerland, signed February 16, 1931.
2. Treaty modifying the conciliation convention with Italy (Bryan Peace Treaty), signed September 23, 1931.
3. Extradition treaty with Greece, signed May 6, 1931.
4. Protocol relating to military obligations in certain cases of double nationality, multilateral, signed December 31, 1930.
5. Treaty with friendship, commerce, and consular rights with Poland, signed June 15, 1931.
6. Treaty with reference to establishment and sojourn with Turkey, signed October 28, 1931.

These treaties and conventions will be transmitted to the Senate in due course, with a view to obtaining its advice and consent to ratification.

Herbert Hoover

The White House, December 10, 1931.

LIST OF PAPERS

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

GENERAL

EFFORTS OF THE UNITED STATES TO PREVENT FINANCIAL COLLAPSE IN EUROPE

I. PROPOSAL BY PRESIDENT HOOVER FOR A MORATORIUM ON INTERGOVERNMENTAL DEBTS

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May 29 (65)	*From the Chargé in Germany (tel.)* Comments concerning rumors that Germany plans to seek some alleviation of reparations payments.	2
June 2 (67)	*From the Chargé in Germany (tel.)* Report that there is strong opposition to the new emergency tax decree and that this opposition is adding to the growing pressure for revision of reparations.	3
June 3 (68)	*From the Chargé in Germany (tel.)* Indications that the moment when Germany will take definite steps toward revision of reparations is approaching rapidly.	4
June 8 (175)	*From the Chargé in Great Britain (tel.)* Account by the British Prime Minister of his conversations at Chequers with the German Chancellor and Foreign Minister concerning the German financial situation.	6
June 8 (70)	*From the Chargé in Germany (tel.)* Manifesto issued by the German Government, June 5 (text printed), explaining the necessity for its new tax decree.	9
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June 11	*Memorandum by the Secretary of State* Conversation with the French Ambassador, who expressed the opinion that Germany would shortly ask for a moratorium.	14
June 12	*Memorandum by the Under Secretary of State* Conversation with the British Ambassador, who presented a summary of the information received from his Government regarding the conversations at Chequers.	15
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EFFORTS OF THE UNITED STATES TO PREVENT FINANCIAL COLLAPSE IN EUROPE—Continued

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IV. ATTITUDE OF INTERESTED GOVERNMENTS TOWARD THE MORATORIUM PROPOSAL

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Aug. 31 (160)	*From the Ambassador in Italy (tel.)* Personal views of the Foreign Minister regarding the latest French proposal.	429
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Sept. 22 (120)	*To the Minister in Switzerland (tel.)* View that it would be unwise to indicate any willingness to consider the question of the size of battleships.	431
Oct. 9 (1080)	*From the Chargé in Italy* Memorandum from the Italian Government to the French Government (text printed) explaining why the August 21 French proposal is unacceptable, but expressing willingness to continue the negotiations on the basis of agreement reached on March 1.	432
Oct. 20 (231)	*From the Consul at Geneva (tel.)* Résumé of facts surrounding the decision of Craigie and the Italian representative to recommend a proposal involving the application of the March 1 basis of agreement to a period of 5 instead of 6 years.	435
Nov. 12 (435)	*From the Ambassador in Great Britain (tel.)* Information that the 5-year proposal has been sent to the French.	437
Nov. 18	*From Mr. Augusto Rosso* Proposal sent to the French Government November 11 (text printed).	437
Dec. 3 (619)	*To the Ambassador in France (tel.)* For Dawes: Hope that an occasion will arise for pointing out to the Foreign Minister and the Prime Minister the desirability of examining the Italian memorandum sympathetically.	438
Dec. 17 (896)	*From the Ambassador in France (tel.)* Information that no reply has been made to the Italian proposal.	439
1932 Jan. 19 (18)	*From the Chargé in Great Britain (tel.)* Advice that the French have asked the British for more information on the 5-year proposal, but that no reply will be made before the General Disarmament Conference.	439

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THE ARMAMENTS TRUCE OF NOVEMBER 1, 1931

Date and number	Subject	Page
1931 Sept. 8 (119)	*From the Minister in Switzerland (tel.)* Speech made by the head of the Italian delegation to the Assembly of the League of Nations (extract printed) proposing an armaments truce during the 1932 Disarmament Conference; request for guidance in expressing opinions on this matter.	440
Undated	*Memorandum by the Chief of the Division of Current Information of the Press Conference of the Secretary of State, September 9, 1931* Indication by the Secretary that details of the Italian proposal have not been received but that the United States is friendly to such moves.	441
Sept. 10 (120)	*From the Minister in Switzerland (tel.)* Report on a speech by the head of the British delegation in support of the Italian proposal.	442
Sept. 11 (103)	*To the Minister in Switzerland (tel.)* Instructions to deliver a message of sympathetic interest to the head of the Italian delegation.	442
Sept. 11 (575)	*From the Ambassador in France (tel.)* Information that the Italian proposal is being received in France with animosity; and report of grounds upon which the opposition is based.	443
Sept. 11 (124)	*From the Minister in Switzerland (tel.)* Resolution introduced by the Danish delegation (extract printed) providing for the proposed truce; information that the Italians desire the matter to be referred to the Third Committee for discussion.	444
Sept. 16 (132)	*From the Minister in Switzerland (tel.)* Formula which the Italian delegate plans to submit to the Third Committee; inquiry as to whether the United States could be represented on the Committee for the purpose of discussing the proposed truce.	445
Sept. 18 (113)	*To the Minister in Switzerland (tel.)* Opinion that the United States should be represented; advice that the United States cannot give up the destroyers for which bids have already been let.	446
Sept. 18 (141)	*From the Minister in Switzerland (tel.)* Views as to how the destroyer situation might be handled, and request for further information on the subject.	447
Sept. 18 (139)	*From the Minister in Switzerland (tel.)* Indications that on September 19 the Third Committee will invite the United States, Russia, and Turkey to participate in its discussions of the proposed truce.	448
Sept. 18 [*19?*] (142)	*From the Minister in Switzerland (tel.)* Information that invitations will be sent to all countries not members of the League.	448
Sept. 19 (114)	*To the Minister in Switzerland (tel.)* Authorization to accept the invitation and to act as the U. S. representative.	449

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THE ARMAMENTS TRUCE OF NOVEMBER 1, 1931—Continued

Date and number	Subject	Page
1931		
Sept. 20 (147)	*From the Minister in Switzerland (tel.)* Request for approval of speech to be made to the Committee (extract printed).	450
Sept. 20 (115)	*To the Minister in Switzerland (tel.)* Further information concerning the destroyer program, and suggestions for handling the situation.	451
Sept. 21 (149)	*From the Minister in Switzerland (tel.)* Final paragraph of proposed speech (text printed) revised in accordance with Department's No. 115 of September 20.	452
Sept. 21 (150)	*From the Minister in Switzerland (tel.)* Advice that the Scandinavian proposal was discussed at the afternoon session.	452
Sept. 22 (154)	*From the Minister in Switzerland (tel.)* Information as to whether various countries have accepted or declined the invitation to be represented on the Committee.	453
Sept. 22 (155)	*From the Minister in Switzerland (tel.)* Speech by the Italian delegate (extract printed) setting forth the Italian formula.	453
Sept. 23 (158)	*From the Minister in Switzerland (tel.)* Positions taken by various countries in the afternoon session.	454
Sept. 24 (162)	*From the Minister in Switzerland (tel.)* Suggestion put forward by the Spanish delegate.	455
Sept. 24 (163)	*From the Minister in Switzerland (tel.)* French counterproposal which several countries supported. Appointment as member, in a consultative capacity, of a drafting committee which it is hoped can formulate a text that will be adopted unanimously.	456
Sept. 25 (164)	*From the Minister in Switzerland (tel.)* Indications in meeting of drafting committee that no proposal made so far will be accepted unanimously; alternative formula proposed. Request for Department's views.	456
Sept. 25 (128)	*To the Minister in Switzerland (tel.)* Opinion that the proposal set forth in the Minister's No. 164 would not provide a real truce; formula which it is thought will best meet the U. S. position.	457
Sept. 26 (167)	*From the Minister in Switzerland (tel.)* Draft resolution submitted by the Bureau of the subcommittee of the Third Committee (text printed) providing for a budgetary limitation; alternative French draft (text printed) which omits all reference to the budgetary limitation. Hope that authorization can be given to accept whichever the majority favors.	458
Sept. 27 (168)	*From the Minister in Switzerland (tel.)* Indications that the British and Italians will accept the French draft.	461
Sept. 27 (129)	*To the Minister in Switzerland (tel.)* Authorization to acquiesce in the French draft.	461

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THE ARMAMENTS TRUCE OF NOVEMBER 1, 1931—Continued

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1931 Sept. 27 (169)	*From the Minister in Switzerland (tel.)* Advice that conversations have revealed that French text may permit France to continue its 5-year building program, and that Italy now refuses to accept it; opinion that agreement cannot be reached except on the Scandinavian resolution.	462
Sept. 27 (130)	*To the Minister in Switzerland (tel.)* Information that the Scandinavian resolution is unacceptable; instructions to consult with the French and Italians in the hope of arriving at a suitable text.	462
Sept. 29 (170)	*From the Minister in Switzerland (tel.)* Information that the Third Committee has adopted a resolution which is a slightly revised version of the French text; opinion that its chief merit is that it will prevent surprises during the Disarmament Conference.	463
Sept. 29 (171)	*From the Minister in Switzerland (tel.)* Report finally adopted by the Third Committee (text printed).	464
Sept. 29 (172)	*From the Minister in Switzerland (tel.)* Advice that the Assembly has adopted the resolution and report of the Third Committee.	468
Oct. 1 (133)	*To the Minister in Switzerland (tel.)* Request for texts of any statements made by delegates expressing the opinion that the truce does not affect ships under construction.	468
Oct. 2 (177)	*From the Minister in Switzerland (tel.)* Information requested in the Department's No. 133 of October 1.	468
Oct. 2 [C.L. 257. 1931. IX]	*From the Secretary-General of the League of Nations* Request for U. S. acceptance of armaments truce.	469
Oct. 29 (144)	*To the Chargé in Switzerland (tel.)* Note for the Secretary-General of the League (text printed) accepting the armaments truce.	470
Nov. 14 [C. L. 293. 1931. IX]	*From the Secretary-General of the League of Nations* Advice that the truce has been accepted for one year as from November 1 by all the governments invited to the Disarmament Conference.	470

PREPARATIONS FOR THE GENERAL DISARMAMENT CONFERENCE

1930 Dec. 6	*From the Chairman of the American Delegation on the Preparatory Commission for the Disarmament Conference* Report on the kind of Conference which seems to be in prospect. Opinion that the most to be hoped for is an agreement to stabilize armaments at existing levels; that the U. S. role will be limited to exerting a helpful influence. Indications that Beneš will be chairman.	471

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PREPARATIONS FOR THE GENERAL DISARMAMENT CONFERENCE—Continued

Date and number	Subject	Page
1930 Dec. 7	*From the Minister in Switzerland* Information concerning arrangements being made for the Conference.	476
1931 Jan. 2	*Memorandum by the Chief of the Division of Western European Affairs of a Conversation with the British Ambassador* Desire of the British and other European Governments that one of the two vice presidents should be an American.	477
Jan. 6	*Memorandum by the Secretary of State of a Conversation With the British Ambassador* U. S. reasons for inability to accept a vice presidency of the Conference.	478
Jan. 10	*Memorandum by the Chief of the Division of Western European Affairs of a Conversation With the British Ambassador* Discussion of U. S. refusal to accept a vice presidency.	479
Undated [Rec'd Jan. 10]	*From the British Embassy* Foreign Minister's disappointment at U. S. refusal, and hope that the Secretary will reconsider.	480
Jan. 13 (11)	*To the Ambassador in Great Britain (tel.)* Note sent to the British Ambassador (text printed) explaining why the United States cannot accept so great a responsibility; instructions to discuss the substance of the note with the Prime Minister. (Footnote: Similar note handed to the French Ambassador on January 19.)	481
Jan. 15	*Memorandum by the Assistant Secretary of State of a Conversation With the British Ambassador* Assurance given to the Ambassador that the U. S. refusal to accept a vice presidency did not mean that the United States had changed its views on disarmament.	482
Jan. 18 (10)	*From the Minister in Switzerland (tel.)* Impressions which have arisen as to the U. S. position in regard to the Conference; request for views.	483
Jan. 19 (8)	*To the Minister in Switzerland (tel.)* Advice that the United States wishes to hold aloof from commitments with respect to the Conference until the Versailles Treaty powers have initiated direct conversations among themselves, since the success of the Conference depends on such initiative.	485
Jan. 21 (11)	*From the Minister in Switzerland (tel.)* Report on the activities of the Council, and indication that there is no opposition to the Secretary's views regarding the necessity for direct conversations.	485
Jan. 22 (25)	*From the Ambassador in Great Britain (tel.)* Account of conversation with the Prime Minister, who agreed with the Secretary's views regarding the necessary preparations for the Conference, and mentioned some of the problems involved.	487
Jan. 23 (14)	*From the Minister in Switzerland (tel.)* Council's decision that the Conference shall meet at Geneva February 2, 1932; that the chairman shall be named at a later sitting of the Council; and that the preparatory work shall be carried on by the *rapporteur*.	488

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PREPARATIONS FOR THE GENERAL DISARMAMENT CONFERENCE—Continued

Date and number	Subject	Page
1931 Jan. 24	*From the Minister in Switzerland* Explanation of the Council's method of preparation, which does not as yet include a recommendation of direct conversations.	488
Feb. 20 (48)	*From the Ambassador in Great Britain (tel.)* Foreign Minister's desire to know whether he may expect any suggestions from the Secretary on means of giving effect to the idea of consultations between the principal powers.	490
Feb. 28 (52)	*To the Ambassador in Great Britain (tel.)* List of problems which it seems evident require direct consultation before the Conference convenes; and suggestions as to possible procedure.	491
Apr. 17	*From the Minister in Switzerland* Account of conversation with the Secretary-General of the League, who expressed his views regarding the election of a president and preparation for the Conference, and also indicated that he thought the British Foreign Minister would be willing to accept the chairmanship.	492
May 4	*Address by President Hoover* Emphasis upon the importance of the Disarmament Conference in connection with efforts toward the economic rehabilitation of the world. (Footnote: Delivered before the Sixth General Congress of the International Chamber of Commerce.)	493
May 21	*To the British Secretary of State for Foreign Affairs (tel.)* Congratulations upon appointment as President of the Conference.	495
May 22	*From the British Secretary of State for Foreign Affairs (tel.)* Expression of appreciation for congratulatory message.	496
May 25	*Memorandum by the Assistant Chief of the Division of Western European Affairs* Conversation between officials of the State and Navy Departments in which the Chief of Naval Operations reported on his studies of the size and armament of battleships, and in which various points regarding the future U. S. naval program were discussed.	496
May 26	*From the Minister in Switzerland* Report on the atmosphere of the Council session in which it seems that no one except the British regarded the prospect of the Conference with anything but apprehension.	498
May 28	*Memorandum by the Secretary of State of a Conversation With the British Ambassador* Secretary's assurance that the United States had not asked for nor suggested a postponement of the Conference.	500
May 28	*Memorandum by the Secretary of State of a Conversation With the French Ambassador* Prospects of the Conference.	500
June 9	*From the Ambassador in France to President Hoover* General review of current situation in France, and suggestion that United States might propose financial aid in the form of debt reduction in return for substantial disarmament concessions.	501

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PREPARATIONS FOR THE GENERAL DISARMAMENT CONFERENCE—Continued

Date and number	Subject	Page
1931 June 10 (158)	*To the Ambassador in Great Britain (tel.)* Information that figures have been submitted to League Secretariat and are being released to the press showing position of U. S. armaments, that Russia is only country which has submitted similar figures, and that hers are being kept secret; request to be informed of any public comment on Russia's secrecy.	505
July 24 (1672)	*From the Chargé in France* Information that in the memorandum published July 22 for the purpose of informing the League of the present status of French armed forces, France has made it clear that she can make no further armament reduction unless her security and the *status quo* in Europe are guaranteed.	506
Undated	*Memorandum by the Secretary of State of a Conversation With the British Secretary of State for Foreign Affairs, London, July 30, 1931, at 12:15 p. m.* British preparations for the Conference.	508
July 30	*From the Ambassador in France to President Hoover* Report on the reception given President Hoover's moratorium proposal; opinion that now is the time to strike the next blow for armament reduction; views as to present and possible future policy in France; and suggestions as to ways of overcoming French opposition to disarmament.	509
Undated	*Memorandum by the Secretary of State of a Conversation With the British Prime Minister at Sciberscross Farmhouse, Scotland, August 7, 1931* Discussion regarding French and British policies regarding military assistance in the event of aggression, the Prime Minister's opinion that the Versailles Treaty must be amended eventually, the steps which he thought should be taken to that end, and the recent British resolution on disarmament.	514
Aug. 5	*From the Chargé in Great Britain* Corrected copy of a German memorandum on the replacement of German battleships (text printed) which the Counselor of the German Embassy in Great Britain has requested that the Secretary substitute for the one handed him in Berlin.	517
Aug. 28	*Memorandum by the Acting Secretary of State of a Conversation With President Hoover* Discussion of reports that the Disarmament Conference would be postponed; President's authorization of a statement that the United States would be exceedingly disappointed at any postponement.	520
Aug. 28 (97)	*To the Minister in Switzerland (tel.)* Instructions to make clear whenever possible that the United States would deplore any idea of postponing the Conference.	520
Sept. 10	*Memorandum by the Secretary of State of a Conversation With the German Ambassador* Secretary's opinion that the change in the British Government would not make any change in British policy toward the Conference.	521
Sept. 10 (102)	*To the Minister in Switzerland (tel.)* Summary of views on disarmament questions as given to the press for background material.	522

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PREPARATIONS FOR THE GENERAL DISARMAMENT CONFERENCE—Continued

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1931 Sept. 10	*Memorandum by the Secretary of State of a Conversation With the French Chargé* Variance in French and U. S. views on security and disarmament.	523
Sept. 16 (2258)	*From the Ambassador in Great Britain* Information that the new British "National" Government is opposed to any postponement of the Conference; that the British feel that a change of attitude in France can best be brought about by persuasion rather than by active opposition; and that there is a small group in England, with Winston Churchill as spokesman, who maintain that Great Britain is descending into unpreparedness and who oppose further disarmament.	526
Oct. 2 (629)	*From the Ambassador in France (tel.)* Conversation with the French Foreign Minister, who stated that he thought a percentage budgetary reduction would win general support, that a formula for implementing the Pact of Paris could be found, and that France would be satisfied with a Franco-American consultative pact.	531
Undated [Rec'd Dec. 5]	*From the British Embassy* British view that the naval figures to be inserted in the disarmament convention will be in accordance with the Washington and London naval treaties and that they will be coterminous; request for information as to whether the United States shares this view.	532
Dec. 17	*Memorandum by the Under Secretary of State of a Conversation With the British Ambassador* British opposition to any postponement of the Disarmament Conference, and suggestion that the opening days of the Conference be devoted to making clear the positions of the various Governments and presentation of any propositions that they might wish to make.	533
Dec. 22	*Memorandum by the Secretary of State of a Conversation With the French Ambassador* Ambassador's assertion that France had not consented to any postponement of the Conference but that Great Britain had made a *démarche* in favor of postponement to France, Poland, and Czechoslovakia.	533
Dec. 29 (176)	*To the Minister in Switzerland (tel.)* Personnel of the American delegation to the Conference, for the information of the Secretary-General of the League.	534
Undated [Rec'd Dec. 30]	*To the British Embassy* Agreement with the British view regarding the naval figures for the disarmament convention; opinion, however, that it should not be limited to the period up to December 31, 1936; suggestion for providing a possible longer duration.	535

VISIT OF THE SECRETARY OF STATE TO EUROPE

1931 Apr. 16 (143)	*To the Ambassador in France (tel.)* Plan to visit Rome, Berlin, Paris, and London; request for comments on advisability of such a trip so far as France is concerned.	536

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VISIT OF THE SECRETARY OF STATE TO EUROPE—Continued

Date and number	Subject	Page
1931 Apr. 18	*From the Ambassador in France* Opinion that much good could be accomplished through a visit by the Secretary to Paris; comments on French public opinion.	537
Undated	*Memorandum by the Secretary of State of Conversations With the Italian Minister for Foreign Affairs, Rome, July 9, 1931, 12 noon and 4 p. m.* Discussion of the debt moratorium; the question of disarmament and preparations for the Conference; Franco-Italian relations, including the naval disagreement; the proposed Austro-German Customs Union; and the effects of the depression on Italy.	538
Undated	*Memorandum by the Secretary of State of a Conversation With the Head of the Italian Government, Rome, July 9, 6 p. m.* Favorable attitude of Mussolini toward the debt moratorium and the Disarmament Conference.	542
Undated	*Memorandum by the Secretary of State of Conversations With the Italian Minister for Foreign Affairs, Rome, July 9, 11, and 12, and With the Head of the Italian Government, Rome, July 12, 1931* Discussions of current international problems; Foreign Minister's suggestion of a naval holiday and his agreement that it would be well for the Secretary to sound out other nations on the subject. Mussolini's concurrence in the suggested procedure concerning the naval holiday.	544
Undated	*Memorandum by the Secretary of State of a Conversation With the German Chancellor, London, July 23, 1931* Discussion of militarism in Germany and the positions of the United States and Germany in the coming Disarmament Conference.	547
July 24 (266)	*From the Chargé in Great Britain (tel.)* For the President and the Acting Secretary from the Secretary of State: Information regarding the German financial situation; account of conversation with Laval, President of the French Council of Ministers, concerning French relations with Germany, Italy, and Great Britain.	549
July 24 (133)	*To the Ambassador in Germany (tel.)* For the Secretary of State: Explanation that it is impossible to do anything further for Germany unless the Germans change their pessimistic tone; request that this be made clear to them.	551
Undated	*Memorandum by the Secretary of State of a Conversation With Members of the German Government at Embassy Dinner, Berlin, July 25, 1931* Secretary's expression of his views on German militarism, and on the impossibility of getting bankers to loan money to Germany as long as she sounds so pessimistic.	552
Undated	*Memorandum by the Secretary of State of a Conversation With President von Hindenburg, Berlin, July 27, 1931, 11:30 a. m.* Von Hindenburg's hope for continued peace; Secretary's explanation of the necessity for German courage and self-help in the financial crisis.	553

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VISIT OF THE SECRETARY OF STATE TO EUROPE—Continued

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1931 July 29 (274)	*From the Ambassador in Great Britain (tel.)* For the President and Acting Secretary from the Secretary of State: Account of visit to Berlin, and opinion that the situation has somewhat improved.	554
Undated	*Memorandum by the Secretary of State of a Conversation With the French Ambassador in Great Britain, London, July 30, 1931* Discussion of the underlying economic difficulty of the German situation and of the disarmament question.	555
Undated	*Memorandum by the Secretary of State of a Conversation With the British Prime Minister, London, July 31, 1931* Discussion of the financial situation, the disarmament question, and the methods of investment in France and Great Britain.	556
Aug. 12	*From the Italian Minister for Foreign Affairs* Account of conversations held at Rome between the German Chancellor and the Head of the Italian Government and between the German and Italian Foreign Ministers.	558
Aug. 20	*To the Italian Minister for Foreign Affairs* Expression of appreciation for the Foreign Minister's letter of August 12 and pleasure at the progress indicated.	561
Undated	*Memorandum by the Secretary of State of a Conversation With the British Prime Minister, London, August 27, 1931, 8 a. m.* Discussion of British political and financial situation, the recent more optimistic view of the accomplishments of the London Conference, and the British delegation to the Disarmament Conference.	563

INTEREST OF THE UNITED STATES IN THE PROPOSED AUSTRO-GERMAN CUSTOMS UNION

1931 Mar. 23 (35)	*From the Ambassador in Germany (tel.)* Information concerning a customs-union agreement being negotiated between Austria and Germany; German opinion that the treaties of St. Germain and Versailles and the Geneva protocol of 1922 would not be violated and that the most-favored-nation clause of the U. S.–German commercial treaty would not apply.	565
Mar. 24 (823)	*From the Ambassador in Germany* Report on the main features of the agreement, the attitude of the press, and the position taken by the German Government.	566
Mar. 26	*Memorandum by the Secretary of State of a Conversation With the Italian Ambassador* Secretary's statement that he had made no comment on the Customs Union; Ambassador's assertion that Italy is inclined to favor it.	570
Mar. 26	*Memorandum by the Secretary of State of a Conversation With the French Ambassador* Temperate statements by the Ambassador concerning the Customs Union.	571

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INTEREST OF THE UNITED STATES IN THE PROPOSED AUSTRO-GERMAN CUSTOMS UNION—Continued

Date and number	Subject	Page
1931 Mar. 26	*Memorandum by the Secretary of State of a Conversation With the German Ambassador* Secretary's indication that he had not reached a conclusion as to the effect upon the Customs Union of the most-favored-nation treaties.	572
Mar. 26 (21)	*From the Minister in Austria (tel.)* Report on various diplomatic moves relating to the Customs Union, including the British suggestion that the matter be submitted to the League Council; information concerning statements attributed to the U. S. State and Commerce Departments.	573
Mar. 26 (13)	*To the Ambassador in Belgium (tel.)* Inquiry as to whether any country had claimed the advantages of the Belgo-Luxemburg Economic Union of 1921 under a most-favored-nation treaty with either country.	574
Mar. 27 (12)	*To the Minister in Austria (tel.)* Information that the U. S. Departments have taken no action since they have not as yet received a text of the agreement.	574
Mar. 28	*Memorandum by the Assistant Secretary of State of a Conversation With the German Ambassador* Ambassador's view that the Customs Union has nothing to do with most-favored-nation treatment.	575
Mar. 28 (19)	*From the Ambassador in Belgium (tel.)* Reply to Department's No. 13 of March 26 to the effect that nothing pertinent has been found; views of the Secretary-General of the Belgian Foreign Office regarding the Customs Union.	575
Mar. 30 (15)	*To the Ambassador in Belgium (tel.)* Inquiry as to whether in 1921 either Belgium or Luxemburg was a party to an unconditional most-favored-nation treaty.	576
Mar. 30 (14)	*To the Minister in Austria (tel.)* Instructions to make a report on how the proposed Union will affect Austro-American trade relations.	576
Mar. 30 (21)	*From the Ambassador in Belgium (tel.)* Views of the German Government as expressed by a member of the Legation Staff: that the legal position of the Union is sound, that it would act as a stimulant in place of the Hitler Nationalist movement, and that it would eventually embrace Hungary, Rumania, Yugoslavia, Czechoslovakia, and Poland.	576
Mar. 31 (22)	*From the Ambassador in Belgium (tel.)* Information that in 1921 Belgium had unconditional most-favored-nation treaties with France, Great Britain, and the Netherlands.	577
Apr. 1 (43)	*From the Minister in Switzerland (tel.)* Position of the Swiss Government in regard to its most-favored-nation treaties and its customs union with Liechtenstein.	578

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INTEREST OF THE UNITED STATES IN THE PROPOSED AUSTRO-GERMAN CUSTOMS UNION—Continued

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1931		
Apr. 4 (30)	*From the Minister in Austria (tel.)* Information concerning effect the proposed Customs Union would have upon Austro-American trade.	578
Apr. 6 (19)	*To the Minister in Austria (tel.)* Inquiry as to the meaning of "interim duties," referred to in Minister's telegram No. 30.	579
Apr. 10 (1981)	*From the Minister in Switzerland* Report on current attitude of the Swiss Government toward the Customs Union.	579
Apr. 16 (577)	*From the Chargé in the Netherlands* Report on various reactions to the German-Austrian action and on the position of the Netherlands.	580
Apr. 21 (583)	*From the Chargé in the Netherlands* Background for view of the Netherlands Government that it has no grounds for protest against the proposed Union.	582
May 13 (255)	*From the Ambassador in France (tel.)* Information concerning French plans for opposing the Union, and an alternate plan for solving Europe's problems, which France will present at Geneva.	583
May 18 (18)	*From the Minister in the Netherlands* Report on the present point of view of the Foreign Office regarding the relation of the most-favored-nation clause to the proposed Union.	585
May 18 (65)	*From the Consul at Geneva (tel.)* Information that the British have proposed that the League Council seek an advisory opinion from the Permanent Court of International Justice on the juridical questions involved in the relationship of the Customs Union to the protocol of 1922 and the treaty of St. Germain.	586
May 19 (67)	*From the Consul at Geneva (tel.)* Advice that the British proposal has been adopted, but that the powers have reserved their position on all but the legal side of the question.	587
May 21 (22)	*From the Minister in the Netherlands* Information from the President of the Permanent Court of International Justice concerning the expected procedure for considering the Customs Union matter.	588
June 12	*From the Solicitor for the Department of State* Conclusion that under the most-favored-nation provision the United States would be entitled to claim from Austria and Germany any advantages which they might extend to each other.	588
Aug. 31 (100)	*From the Chargé in Austria (tel.)* Report that the Austrian Government has decided to abandon the idea of a Customs Union.	590
Sept. 3 (106)	*From the Consul at Geneva (tel.)* Statement by the Austrian Vice Chancellor (text printed) that Austria will pursue the Customs Union project no further; and similar statement by the German Foreign Minister.	591

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1931 Sept. 5 (29)	*From the Chargé in the Netherlands (tel.)* Decision by the Court that the Customs Union is not compatible with the Geneva Protocol.	591
Sept. 9 (120)	*From the Chargé in the Netherlands* Information concerning the Court's decision.	592

ATTENDANCE OF AN UNOFFICIAL AMERICAN OBSERVER AT MEETINGS OF THE CONFERENCE OF AMBASSADORS

1931 Jan. 16 (1170)	*From the Ambassador in France* Information that Counselor of Embassy was sent to the 327th meeting of the Conference of Ambassadors as an unofficial observer in accordance with the precedent set by the preceding Ambassador of not attending in person.	593
Feb. 3	*From the Ambassador in France* Further explanation of action in sending Counselor of Embassy to Conference of Ambassadors.	594
Feb. 18	*To the Ambassador in France* Instructions to let future meetings go unattended unless there is some particular reason for American interest. (Note: Explanation that the matter was left to the Embassy's discretion; also that the Conference of Ambassadors apparently ceased to meet at this time.)	595

TENSION ARISING FROM GERMAN-POLISH RELATIONS WITH RESPECT TO THE POLISH CORRIDOR, DANZIG, AND EAST PRUSSIA

1931 Apr. 11	*From the Consul at Danzig (tel.)* Reports of alleged physical attacks on Polish citizens by members of the Hitler party; suggestion by Polish High Commissioner that a committee of U. S., British, and Belgian consuls be formed to investigate; and inquiry as to advisability of serving on committee if invited.	595
Apr. 15	*To the Consul at Danzig (tel.)* Instructions to decline to serve, as Department desires to avoid becoming involved in controversies arising between Polish and Danzig authorities.	596
Apr. 16	*From the Consul at Danzig (tel.)* Acknowledgment of the Department's telegram of April 15.	596
June 9	*Memorandum by the Secretary of State of a Conversation With the Polish Ambassador* Ambassador's assertion that the question of the Polish Corridor is really another name for the actual difficulty, which is East Prussia; his opinion that an international agreement similar to the Locarno Agreement would help alleviate Germany's fear for the safety of East Prussia.	596

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TENSION ARISING FROM GERMAN-POLISH RELATIONS WITH RESPECT TO THE POLISH CORRIDOR, DANZIG, AND EAST PRUSSIA—Continued

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1931		
Oct. 15 (105)	*From the Ambassador in Poland (tel.)* Concern of Foreign Minister over U. S. press campaign in respect to Corridor question and appeal to the Secretary to use influence to abate disturbing publicity because of disquieting effect on Polish public opinion.	597
Oct. 20 (1025)	*From the Ambassador in Poland* Confirmation of Embassy's No. 105, October 15; Polish attitude toward France and Germany in respect to the Corridor.	597
Undated	*Memorandum by the Under Secretary of State of a Conversation With the Polish Ambassador, October 22, 1931* Ambassador's account of his presentation to President Hoover, under instructions from Marshal Pilsudski, of political situation, including assertion that if Polish territory were invaded by German troops, Poland would march into Germany. Ambassador's observations on increasing militaristic spirit of Germany.	599
Oct. 22 (1032)	*From the Ambassador in Poland* Report of conversation of member of Embassy staff with the Acting Political Director of the Foreign Office, who stressed the point that in addition to the unfortunate effect made by the American press comments on Polish public opinion, it was feared that the German point of view would also be affected at a time when cooperation between the two countries was so necessary.	601
Oct. 25	*Press Release Issued by the White House* Statement that the President has made no suggestions of any kind for the revision of the Polish Corridor.	603
Dec. 2 (1144)	*From the Chargé in Poland* Explanation that the statement made by Marshal Pilsudski, that Poland would march into Germany if Polish territory were threatened by German irregular troops, was simply an attempt to silence the revisionist campaign on the part of the American press regarding the Corridor.	603

REFUSAL BY THE UNITED STATES OF INVITATION BY THE LEAGUE OF NATIONS TO PARTICIPATE IN A SPECIAL COMMITTEE TO STUDY A PACT OF ECONOMIC NON-AGGRESSION

1931		
Sept. 30 (No. 2260 L. N. No. 2136)	*From the Minister in Switzerland* Communication from the Secretary-General of the League of Nations (text printed) inviting the U. S. Government to participate in a committee to study a pact of economic non-aggression (text printed) proposed by the Russian delegate.	605
Oct. 16 (138)	*To the Minister in Switzerland (tel.)* Instructions to decline the invitation. (Footnote: Information that a memorandum of October 13, prepared in the Division of Western European Affairs, states that the pact appears to offer nothing sufficiently practical to justify acceptance.)	607

GENERAL

PROPOSALS FOR AN INTERNATIONAL CONFERENCE ON THE STABILIZATION OF SILVER

Date and number	Subject	Page
1931		
Feb. 12 (48)	*To the Minister in China (tel.)* Advice that the Pittman Subcommittee has recommended that the Senate advise the President to take certain measures in connection with the silver situation, including the calling of an international silver conference.	607
Feb. 16 (38)	*To the Ambassador in Great Britain (tel.)* Instructions for sounding out the British Government as to its possible readiness to call an international silver conference, and reasons why it would be less appropriate for the U. S. Government to call such a conference.	608
Feb. 18 (57)	*To the Minister in China (tel.)* Advice as to instructions given to the Ambassador in Great Britain.	609
Feb. 20 (49)	*From the Ambassador in Great Britain (tel.)* Reply from the British Prime Minister (text printed) giving opinion that the conference should be called by the United States; expressing view that the silver problem is only a part of the larger economic problem, and making inquiry as to possible terms of reference and scope of deliberations.	609
Feb. 28 (51)	*To the Ambassador in Great Britain (tel.)* Instructions to inform the Prime Minister that matter is being considered but that reply cannot be made immediately.	610
Mar. 5 (67)	*From the Ambassador in Great Britain (tel.)* Communication from the Prime Minister, March 4 (text printed), asking if the President and the Secretary of State could exchange views with him regarding some big international move to ameliorate world economic conditions.	611
Mar. 11 (65)	*To the Ambassador in Great Britain (tel.)* Opinion that best results are achieved by concentration on particular subjects; instructions to express willingness to give sympathetic attention to specific ideas.	611
Apr. 7 (737)	*To the Ambassador in Great Britain* Information that the French Ambassador called and expressed interest in the silver question, indicating that he thought a conference would be beneficial, but would not commit himself as to his Government's attitude.	612
May 7	*Memorandum by the Under Secretary of State of a Conversation With the Japanese Ambassador* Possibility of Japan's calling a silver conference.	613
May 14 (78)	*To the Ambassador in Japan (tel.)* Reasons for the Department's belief that Japan should call the conference, and instructions for encouraging the idea.	614
May 18	*Memorandum by the Under Secretary of State* Conversation with the Japanese Ambassador in which the subject of a silver conference was again brought up in response to a request by President Hoover.	615
May 20 (137)	*To the Ambassador in Great Britain (tel.)* Information that Japan will not call a conference without assurance of attendance by Great Britain.	616

GENERAL

PROPOSALS FOR AN INTERNATIONAL CONFERENCE ON THE STABILIZATION OF SILVER—Continued

Date and number	Subject	Page
1931		
May 21 (158)	*From the Ambassador in Great Britain (tel.)* Report of a conversation with the Prime Minister, who spoke unfavorably of an official silver conference at this time.	617
June 1	*Memorandum by the Under Secretary of State of a Conversation With the Japanese Ambassador* Further emphasis on the importance of a conference, and Ambassador's indication that he had heard nothing from his Government and that he attributed the delay to opposition in London and Paris.	618
June 3 (76)	*From the Chargé in Japan (tel.)* Report of a conversation with Japanese officials, who stated that any attempt by the Japanese Government to call a conference would probably be politically embarrassing to itself.	619
June 11	*Memorandum by the Under Secretary of State of a Conversation With the Japanese Ambassador* Japanese Government's decision that in view of British and French opposition, the present is not the time to call a conference.	619
July 25 (84)	*To the Minister in Switzerland (tel.)* Information that Senator Swanson has suggested that the League of Nations extend invitations to a silver conference and that the United States attend; instructions to ascertain League's attitude.	620
July 28 (99)	*From the Minister in Switzerland (tel.)* Report on conversation with the Acting Secretary-General of the League, who said that he thought he could prompt his Government (Germany) to present a resolution on a silver conference in the next session of the Assembly; request for Department's attitude.	621
Aug. 7 (88)	*To the Minister in Switzerland (tel.)* Approval of plan to have Germany present proposal; instructions to push matter discreetly.	622
Aug. 12 (103)	*From the Minister in Switzerland (tel.)* Explanation that nothing further can be done in Geneva at present and that the matter can now best be handled in Berlin; suggestion that Italy be approached if Germany declines to act.	623
Aug. 26 (109)	*From the Minister in Switzerland (tel.)* Information that Germany is not willing to sponsor the resolution; that suggestion has been made that Norman Davis bring the matter before the Finance Committee with a view to having that body present a recommendation to the Council.	624
Aug. 31 (111)	*From the Minister in Switzerland (tel.)* Advice that the Finance Committee is amenable to a resolution to create a committee to study the silver problem and the advisability of a conference; inquiry as to whether this would be satisfactory; opinion that Secretariat would not want a conference summoned without preliminary investigation.	625
Sept. 3 (101)	*To the Minister in Switzerland (tel.)* Instructions to sound out representatives of British and other governments at Geneva regarding proposal outlined in telegram No. 109 of August 26.	626

GENERAL

PROPOSALS FOR AN INTERNATIONAL CONFERENCE ON THE STABILIZATION OF SILVER—Continued

Date and number	Subject	Page
1931 Sept. 14 (128)	*From the Minister in Switzerland (tel.)* Report that the League does not wish to commit itself on a conference until the outlook is brighter; resolution providing for a study of the question (text printed) which it might be possible to have passed now.	627
Sept. 16 (108)	*To the Minister in Switzerland (tel.)* Opinion that the resolution might complicate matters; request for views.	628
Sept. 17 (135)	*From the Minister in Switzerland (tel.)* Reasons for the Finance Committee's preference for a "study" rather than a "conference;" opinion that there are no indications that a study would be used to block a proposal for a conference.	628
Sept. 20 (144)	*From the Minister in Switzerland (tel.)* Information that the Finance Committee has adjourned and that, in view of the Department's apprehensions, no action was taken to bring about adoption of the resolution.	629
Oct. 7 (404)	*From the Ambassador in Great Britain (tel.)* Advice that the British Government has postponed further consideration of a silver conference until after the October 27 elections.	629
Oct. 23 (363)	*From the Ambassador in Mexico (tel.)* Report of a conversation with the President of El Banco de Mexico, who reacted favorably to a suggestion that Mexico sponsor a silver conference.	629
Nov. 3 (370)	*From the Ambassador in Mexico (tel.)* Report of a conversation with the Finance Minister; opinion that Mexico would call a conference if assured that the major powers would attend.	630
Nov. 4 (429)	*From the Ambassador in Great Britain (tel.)* Information that the Prime Minister manifests a prejudice against the calling of any conference in which the views of Great Britain and the United States do not coincide.	631
Nov. 19 (331)	*To the Ambassador in Great Britain (tel.)* Instructions to sound out the British in regard to accepting an invitation from Mexico.	632
Dec. 16 (462)	*From the Ambassador in Great Britain (tel.)* Assurance from the Foreign Secretary that the proposal of a conference in Mexico will be discussed in the Cabinet.	632

PARTICIPATION OF THE UNITED STATES IN THE CONFERENCE OF WHEAT EXPORTING COUNTRIES, LONDON, MAY 18–23, 1931

1931 Apr. 24 (119)	*From the Ambassador in Great Britain (tel.)* Invitation from the Chairman of the forthcoming Conference of Wheat Exporting Countries (text printed) expressing hope that the United States will be represented.	632

GENERAL

PARTICIPATION OF THE UNITED STATES IN THE CONFERENCE OF WHEAT EXPORTING COUNTRIES, LONDON, MAY 18–23, 1931—Continued

Date and number	Subject	Page
1931		
Apr. 24 (316)	*From the Minister in Canada* Conversations between members of the Legation staff and Canadian officials in which the latter said that apparently the European nations were attempting to unite against the exporting nations of the American Continent and that there seemed little prospect of an agreement.	634
Apr. 25 (105)	*To the Ambassador in Great Britain (tel.)* Information that the Canadian Government is transmitting an official invitation to the U. S. Government and that the Ambassador will be advised when a decision is reached.	635
Apr. 27 (66)	*From the Canadian Chargé* Official invitation to the Conference of Wheat Exporting Countries to be held at Canada House in London.	635
Apr. 28 (124)	*From the Ambassador in Great Britain (tel.)* Information that no agenda has been prepared for the Conference.	636
Apr. 30	*To the Canadian Chargé* Acceptance of Canadian Government's invitation.	636
May 6 (118)	*To the Ambassador in Great Britain (tel.)* List of U. S. representatives, and instructions to inform the Chairman.	637
May 23 (163)	*From the Chargé in Great Britain (tel.)* For Federal Farm Board from delegate at Conference: Resolution adopted at final session (text printed) proposing, among other things, a clearing house of information to serve exporting countries.	637
May 26 (147)	*To the Ambassador in Great Britain (tel.)* For Olsen (Agriculture Department delegate at Conference) from Department of Agriculture: Request for opinion on value of clearing house.	639
May 27 (1976)	*From the Chargé in Great Britain* Report on the Conference prepared by the Secretary of the American delegation, May 26 (text printed).	639
May 28 (166)	*From the Chargé in Great Britain (tel.)* For Department of Agriculture from Olsen: Opinion that clearing house may be helpful and that U. S. participation is desirable.	642
June 15	*From the Chairman of the American Delegation* Copy of report made June 12, to the Federal Farm Board relative to Conference (text printed), showing contrast in European interest in export quotas and U. S. interest in acreage reduction.	642

GENERAL

CONVENTION BETWEEN THE UNITED STATES AND OTHER POWERS FOR LIMITING THE MANUFACTURE AND REGULATING THE DISTRIBUTION OF NARCOTIC DRUGS, CONCLUDED AT GENEVA, JULY 13, 1931

Date and number	Subject	Page
1930		
Aug. 22 (323)	*From the British Ambassador* Inquiry as to whether the United States would be disposed to participate in a preliminary Conference on the Limitation of Manufacture of Dangerous Drugs; information that the present plans are to hold the Conference at Geneva.	646
Sept. 12	*To the British Ambassador* Indication that John K. Caldwell will probably represent United States at the Conference; request for materials to be used by the Conference.	647
Sept. 26 (365)	*From the British Ambassador* Information concerning materials for the Conference.	647
Oct. 28 (1723–L. N. 1843)	*From the Chargé in Switzerland* Decision of the Council of the League of Nations to convert the preliminary Conference of October 27, 1930, which was limited to 11 countries, to a general Conference for all states to be held May 27, 1931.	648
Nov. 12 (293)	*From the Ambassador in Great Britain (tel.)* From Caldwell: Report that preliminary Conference closed with no agreement on quotas.	649
Dec. 23	*To the Consul at Geneva (tel.)* Explanation of the character of the preliminary Conference, involving no commitments on the part of the governments participating.	649
1931		
Jan. 20	*To President Hoover* Recommendation that the United States participate in the conference of all states to be convened at Geneva on May 27, 1931, under the sponsorship of the Council of the League.	650
Mar. 12 (1931–L. N. 1955)	*From the Minister in Switzerland* Transmittal of various documents from the Secretary-General of the League, who requests that the U. S. delegates be empowered to deal with the questions involved.	652
Mar. 17 (31)	*To the Minister in Switzerland (tel.)* U. S. acceptance of League's invitation to the Conference; list of U. S. delegates.	653
May 6	*To Certain Diplomatic Representatives in Latin America (cir. tel.)* Instructions to inform Government to which accredited of U. S. acceptance and to inquire as to that Government's intentions. (Footnotes: List of countries to which communication was sent, and indication of whether they replied in the affirmative or negative.)	653
May 8	*To the Chairman of the American Delegation* General instructions for participation in Conference, including explanation that the United States favors, in addition to the import-export certificate system, a direct limitation of the quantities manufactured and of the raw materials allowed to factories.	654
May 30 (4)	*From the Chairman of the American Delegation (tel.)* Report on statement of U. S. principles made at morning plenary session.	657

GENERAL

CONVENTION BETWEEN THE UNITED STATES AND OTHER POWERS FOR LIMITING THE MANUFACTURE AND REGULATING THE DISTRIBUTION OF NARCOTIC DRUGS, CONCLUDED AT GENEVA, JULY 13, 1931—Continued

Date and number	Subject	Page
1931		
June 10 (13)	*From the Chairman of the American Delegation (tel.)* Unsuccessful efforts of certain countries to have principle of quota plan accepted; information that Japanese and French delegates have presented amendments along same lines as U. S. proposals and that the three can probably be worked into an acceptable plan.	658
June 15 (17)	*From the Chairman of the American Delegation (tel.)* Report on statement of U. S. views made in Limitation Committee, June 13.	659
June 22 (21)	*From the Chairman of the American Delegation (tel.)* Activities of past week, during which Japanese-French amendments were adopted as basis of discussion.	660
June 30 (31)	*From the Chairman of the American Delegation (tel.)* Additional proposals by Turkey and Yugoslavia.	661
July 2 (34)	*From the Chairman of the American Delegation (tel.)* Request for instructions concerning (1) proposed articles from Geneva Convention and (2) article proposed by Switzerland regarding possible disputes.	661
July 3 (15)	*To the Chairman of the American Delegation (tel.)* Request for delegation's comment and recommendations on the points referred to in telegram No. 34, July 2.	662
July 4 (36)	*From the Chairman of the American Delegation (tel.)* Information that the articles from the Geneva Convention may be included in an annex to the new convention; explanation that delegation does not feel competent to make recommendation concerning question of policy involved in leaving certain action to the League Council.	662
July 4 (37)	*From the Chairman of the American Delegation (tel.)* Information that Swiss amendment has been adopted but that U. S. delegation reserves its position.	663
July 7 (18)	*To the Chairman of the American Delegation (tel.)* Instructions concerning (1) article which would violate certain U. S. commercial treaties, and (2) provision for national measures stricter than those provided for in convention.	663
July 9 (42)	*From the Chairman of the American Delegation (tel.)* Summary of essential provisions of draft which is coming up for second reading.	664
July 11 (21)	*To the Chairman of the American Delegation (tel.)* Instructions in reply to the delegation's No. 34, July 2; No. 36, July 4; and No. 42, July 9.	667
July 12 (44)	*From the Chairman of the American Delegation (tel.)* Indication that convention will be signed July 13; information that most of important U. S. proposals have been included; and further explanation concerning certain articles.	668
July 13 (22)	*To the Chairman of the American Delegation (tel.)* Instructions to remain in Geneva pending further instructions and to cable full final text.	670

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CONVENTION BETWEEN THE UNITED STATES AND OTHER POWERS FOR LIMITING THE MANUFACTURE AND REGULATING THE DISTRIBUTION OF NARCOTIC DRUGS, CONCLUDED AT GENEVA, JULY 13, 1931—Continued

Date and number	Subject	Page
1931		
July 14 (45)	*From the Chairman of the American Delegation (tel.)* List of countries who signed convention July 13, and advice that text is being cabled.	671
July 14 (89)	*From the Minister in Switzerland (tel.)* Considerations in favor of immediate signature of convention.	671
July 17 (24)	*To the Chairman of the American Delegation (tel.)* Authorization to sign convention with certain reservations (text printed); instructions not to sign final act but to present to President of Conference an explanatory letter (text printed).	672
July 26 (85)	*To the Minister in Switzerland (tel.)* Explanation of the advisability of retaining the reservation concerning unrecognized regimes.	674
July 13	*International Convention for Limiting the Manufacture and Regulating the Distribution of Narcotic Drugs* Text of convention and protocol of signature signed at Geneva.	675

CONFERENCE ON THE SUPPRESSION OF OPIUM SMOKING, HELD AT BANGKOK, SIAM, NOVEMBER 9–27, 1931

1931		
June 19 (84)	*From the Minister in Switzerland (tel.)* Information that the Secretary-General of the League of Nations has invited the U. S. Government to participate in a conference on the control of opium smoking to be held in Bangkok, Siam, November 9, 1931.	699
Sept. 8 (118)	*From the Minister in Switzerland (tel.)* Additional information regarding the proposed Conference.	700
Sept. 14	*To Mr. John K. Caldwell* Instructions to attend the Conference as an observer; explanation that, since the Conference apparently will not consider steps as drastic as the United States has already taken, it is unlikely that the United States will sign any resultant agreement.	700
Oct. 17 (27)	*To the Minister in Siam (tel.)* Instructions to inform the Foreign Office that a member of the Philippine Constabulary is being sent to the Conference.	702
Nov. 9	*From the American Observer (tel.)* Report on opening session of Conference.	702
Nov. 11	*Press Release Issued by the Department of State* U. S. position on questions to be considered at the Conference, as outlined in a statement by the American Observer on November 11 (text printed).	702
Nov. 12	*From the American Observer (tel.)* Explanation that the statement of November 11 was made on the invitation of the President of the Conference and that so far there has been no hostile criticism.	705

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CONFERENCE ON THE SUPPRESSION OF OPIUM SMOKING, HELD AT BANGKOK, SIAM, NOVEMBER 9–27, 1931—Continued

Date and number	Subject	Page
1931 Nov. 26	*From the American Observer (tel.)* Information that agreement will be signed November 27; opinion that little has been accomplished.	706

REFUSAL OF THE UNITED STATES TO ADHERE TO THE CONVENTION OF SEPTEMBER 30, 1921, ON TRAFFIC IN WOMEN AND CHILDREN

1931 July 1 (2111–L. N. 2054)	*From the Minister in Switzerland* Letter from the Secretary-General of the League of Nations, June 29 (text printed), enclosing, at the direction of the League Council, an invitation to the United States (text printed) to adhere to the 1921 convention at this time. (Footnote: Excerpt from U. S. letter to the Secretary-General of March 8,1922, explaining the constitutional difficulties which made U. S. adherence impossible.)	706
Aug. 18	*To the Secretary-General of the League of Nations* Explanation that the situation described in U. S. letter of March 8, 1922, has not changed, and that, although sympathetic, the United States cannot adhere.	709

COOPERATION OF THE UNITED STATES WITH SEVERAL OTHER GOVERNMENTS IN RECONNAISSANCE SURVEYS FOR AN INTER-AMERICAN HIGHWAY

1931 Feb. 20 (301)	*From the Minister in Costa Rica* Advice that the Costa Rican Government, through the Pan American Union, will invite American engineers to come to Costa Rica to make preliminary surveys for the proposed Inter-American Highway.	709
Oct. 9	*From the Acting Chief of the Bureau of Public Roads of the Department of Agriculture* Outline of program to be followed to complete the surveys, and request to be informed as soon as permission is granted by the various countries to make aerial surveys along the general routes indicated.	710
Oct. 15 (413)	*To the Ambassador in Mexico* Desire of the Bureau of Public Roads to obtain permission for Army airplanes to land in Mexico during survey of region in Guatemala near Mexican border; instructions to take matter up with proper authorities and report by cable.	712
Oct. 15 (145)	*To the Minister in Guatemala* Instructions to take up with the appropriate authorities the matter of the aerial surveys and report by cable results of action. (Footnote: Similar instructions to missions in El Salvador, Honduras, and Nicaragua.)	712
Oct. 27 (190)	*From the Chargé in Nicaragua (tel.)* Information that Nicaragua has granted permission to make aerial surveys for Inter-American Highway.	713

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COOPERATION OF THE UNITED STATES WITH SEVERAL OTHER GOVERNMENTS IN RECONNAISSANCE SURVEYS FOR AN INTER-AMERICAN HIGHWAY—Continued

Date and number	Subject	Page
1931		
Oct. 28 (177)	*From the Chargé in Honduras (tel.)* Permission granted by Honduras.	714
Nov. 2 (61)	*From the Minister in Guatemala (tel.)* Permission granted by Guatemala.	714
Nov. 20 (94)	*From the Minister in El Salvador (tel.)* Information that the President of Salvador has orally given permission for survey.	714
Dec. 11 (407)	*From the Ambassador in Mexico (tel.)* Note received from Foreign Office granting permission for possible landings by Army airplanes to be used in survey. (Note: Information that final details of the reconnaissance survey were not completed until 1933.)	714

THE CHACO DISPUTE BETWEEN BOLIVIA AND PARAGUAY

1931		
Apr. 25 (207)	*From the Chargé in Paraguay* Note from the Foreign Minister, April 20 (text printed), reaffirming Paraguay's acceptance of good offices of neutrals and stating opinion that the time has come for Bolivia to indicate its acceptance or rejection.	715
May 12 (27)	*From the Ambassador in Brazil (tel.)* Inquiry by the Foreign Minister as to whether the Department would favor cooperating with Brazil in proposing a plan for harmonizing all differences between Bolivia and Paraguay.	717
May 14 (33)	*To the Ambassador in Brazil (tel.)* Explanation that the Department does not favor Brazil's proposal but would be prepared to cooperate if Brazil should make recommendations to the five neutral countries.	718
May 27	*From the Bolivian Minister* Circular addressed by the Foreign Minister to the Legations of Bolivia abroad, April 11 (text printed), taking issue with certain statements made by the President of Paraguay on April 2.	719
June 8	*To the American Diplomatic Representatives in Colombia, Cuba, Mexico, and Uruguay (cir. tel.)* Information that the neutral representatives have agreed on text of a note to be transmitted to Bolivia and Paraguay; transmittal of text, and instructions to present it to Government to which accredited for approval.	722
June 19	*Memorandum by the Assistant Secretary of State of Conversations With the Bolivian Minister and With the Paraguayan Chargé* Advisability of avoiding newspaper discussions, in view of the tension caused by a recent statement to the press by the Minister and the Chargé's answer thereto.	723
June 22	*To the American Diplomatic Representatives in Colombia, Cuba, Mexico, and Uruguay (cir. tel.)* Instructions to inform the Government to which accredited that the agreed-upon note will be delivered June 25.	724

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THE CHACO DISPUTE BETWEEN BOLIVIA AND PARAGUAY—Continued

Date and number	Subject	Page
1931		
June 22 (23)	*To the Chargé in Bolivia (tel.)* Instructions to present agreed-upon note on June 25 (text printed) inquiring whether Bolivia is prepared to authorize its representatives in Washington to enter into direct negotiations, and reaffirming readiness of neutrals to have their representatives cooperate.	725
June 22 (20)	*To the Chargé in Paraguay (tel.)* Instructions to present agreed-upon note to Paraguayan Government on June 25 (text printed).	727
June 23 (41)	*To the Ambassador in Brazil (tel.)* Account of action taken; instructions to inform the Foreign Minister and to state that the United States would welcome any support which Brazil might care to give.	729
June 23 (38)	*From the Ambassador in Brazil (tel.)* Foreign Minister's view that definite measures should be taken to effect reconciliation.	730
June 24 (24)	*To the Chargé in Bolivia (tel.)* Advice that Bolivia has sent a note to Paraguay threatening to recall Bolivian Minister at Asunción unless statements made by Paraguayan Chargé at Washington are rectified; telegram being sent to Paraguay (text printed) stressing inportance of conciliatory attitude; instructions to endeavor to prevent rupture of relations.	731
June 24 (61)	*From the Chargé in Paraguay (tel.)* Information that in note of June 23 Paraguay refused Bolivia's request that Chargé at Washington be discredited.	731
June 24 (39)	*From the Ambassador in Brazil (tel.)* Advice that Foreign Minister is prepared to support June 25 notes to Bolivia and Paraguay.	732
June 24 (45)	*To the Ambassador in Brazil (tel.)* Information that Bolivia has refused to consider suggestion made by Brazilian Foreign Minister.	732
June 25 (59)	*From the Chargé in Bolivia (tel.)* Report that suggestion was made to the Foreign Minister that present difficulty could perhaps be settled through neutrals.	732
June 26 (25)	*To the Chargé in Bolivia (tel.)* Request for report on situation.	733
June 26 (22)	*To the Chargé in Paraguay (tel.)* Instructions to point out to the Foreign Minister the advantages of adopting a conciliatory attitude so that negotiations can proceed.	734
June 26 (60)	*From the Chargé in Bolivia (tel.)* Report on second Bolivian note which has been sent to Asunción but not delivered as yet; suggestion that Paraguay be urged to reply in such a way as to keep discussion open.	734
June 27 (65)	*From the Chargé in Paraguay (tel.)* Advice that Paraguay chooses to let matters rest with sending of note to Bolivia on June 23; opinion that further counsel would be futile.	735

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THE CHACO DISPUTE BETWEEN BOLIVIA AND PARAGUAY—Continued

Date and number	Subject	Page
1931		
June 27 (61)	*From the Chargé in Bolivia (tel.)* Report on current attitudes of the press, and of political and military leaders.	736
June 27	*Memorandum by the Assistant Secretary of State of a Conversation With the Paraguayan Chargé* Discussion of Paraguayan attitude toward Bolivia, and of U. S. hope that diplomatic relations will not be broken off between the two countries.	736
June 29 (42)	*From the Ambassador in Brazil (tel.)* Foreign Minister's concern over Bolivian-Paraguayan situation and willingness to support U. S. efforts.	737
June 29 (63)	*From the Chargé in Bolivia (tel.)* Information that the second Bolivian note has not yet been delivered.	738
June 30 (49)	*To the Ambassador in Brazil (tel.)* Explanation of policy being followed by the United States and neutrals; assertion that any support which Brazil can give along these lines will be welcomed.	738
June 30 (27)	*To the Chargé in Bolivia (tel.)* Information that Bolivian Minister in Asunción has been instructed to leave; instructions to try to get Bolivia to withhold action and discuss matter with neutrals in La Paz.	739
June 30 (64)	*From the Chargé in Bolivia (tel.)* Advice that Foreign Minister was receptive to idea of conversations with neutrals and urged that Paraguay be sounded out along same lines; information that second Bolivian note was delivered June 29.	739
July 1 (23)	*To the Chargé in Paraguay (tel.)* Instructions to inquire whether Paraguay would accept efforts of neutrals and what are its views regarding a suitable settlement.	740
July 1 (28)	*To the Chargé in Bolivia (tel.)* Instructions to ascertain Bolivian views regarding settlement of the incident.	740
July 1 (65)	*From the Chargé in Bolivia (tel.)* Decision of Bolivian Government to accept Argentine arbitration.	741
July 1 (74)	*From the Ambassador in Argentina (tel.)* Assertion by Under Secretary for Foreign Affairs that Argentina has not offered arbitration.	741
July 2 (69)	*From the Chargé in Bolivia (tel.)* Report on current situation in Bolivia.	742
July 2 (67)	*From the Chargé in Paraguay (tel.)* Assertion by Foreign Minister that Paraguay considers matter closed and that recourse to good offices would be out of proportion to incident.	742
July 2 (70)	*From the Chargé in Bolivia (tel.)* Report that Paraguayan reply to second Bolivian note has been received and considered unsatisfactory, and that Argentine offer of mediation has been withdrawn.	743

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THE CHACO DISPUTE BETWEEN BOLIVIA AND PARAGUAY—Continued

Date and number	Subject	Page
1931		
July 3 (69)	*From the Chargé in Paraguay (tel.)* Foreign Minister's explanation of Argentine offer.	743
July 3 (71)	*From the Chargé in Bolivia (tel.)* Information that Bolivian Minister in Asunción has been given definite instructions for departure.	743
July 3 (72)	*From the Chargé in Bolivia (tel.)* Advice that Argentine activity is continuing despite withdrawal of mediation offer.	744
July 5 (70)	*From the Chargé in Paraguay (tel.)* Information that Bolivian Minister has left Asunción.	744
July 5 (76)	*From the Ambassador in Argentina (tel.)* Information from Argentine President that Argentina had offered to send a commission to the Chaco to prevent armed conflicts, but that neither country had yet accepted.	744
July 6 (73)	*From the Chargé in Bolivia (tel.)* Information that Paraguayan Minister's mission has been terminated; report on evidence of military movement.	745
July 7 (78)	*From the Ambassador in Argentina (tel.)* Advice that Bolivia has accepted in principle the Argentine suggestion for reestablishing diplomatic relations with Paraguay.	745
July 10 (32)	*To the Minister in Bolivia (tel.)* Instructions to endeavor to obtain Bolivia's views as to satisfactory settlement of matter with a view to renewing diplomatic relations.	746
July 10 (26)	*To the Chargé in Paraguay (tel.)* Instructions to obtain views of Paraguay as to how relations could be restored.	746
July 11 (78)	*From the Minister in Bolivia (tel.)* Assertion by Foreign Minister that informal conversations with Argentine Minister are in progress.	746
July 13 (79)	*From the Minister in Bolivia (tel.)* Report that no further steps have been taken in view of various reports concerning possibility of mediation by Argentina or by neutrals.	747
July 18	*Memorandum by the Acting Secretary of State of a Conversation With the Brazilian Ambassador* Brazil's urgent desire that the United States offer to arbitrate the boundary dispute; Ambassador's apparent disappointment that the Department thought it necessary to have the neutrals take up the matter.	747
July 25 (84)	*From the Minister in Bolivia (tel.)* Note from the Foreign Office (text printed) stating, in reply to U. S. note of June 25, that Bolivia confirms its conditional acceptance of neutral good offices, and would be disposed to study a nonaggression pact in the Chaco.	748

GENERAL

THE CHACO DISPUTE BETWEEN BOLIVIA AND PARAGUAY—Continued

Date and number	Subject	Page
1931 July 28	*Memorandum by the Assistant Secretary of State* Conversation with the Argentine Ambassador in which the Ambassador explained Argentina's unsuccessful efforts to adjust the Bolivian-Paraguayan diplomatic incident, and was in turn informed of the proposed U. S. action in regard to the Bolivian note of July 25.	750
July 30 (40)	*To the Minister in Bolivia (tel.)* Note which the representatives of the neutral Governments have agreed to recommend to be delivered to Bolivia (text printed) approving proposed nonaggression pact and suggesting that both Governments agree not to send more troops into the Chaco, to withdraw those already there, and give orders to prevent further clashes.	751
July 30 (29)	*To the Chargé in Paraguay (tel.)* Note similar to the one for Bolivia, which the neutral representatives have agreed to recommend to be delivered to Paraguay (text printed).	752
Aug. 5 (41)	*To the Minister in Bolivia (tel.)* Instructions to deliver agreed-upon note on August 6. (Footnote: The same, *mutatis mutandis*, to the Chargé in Paraguay.)	753
Aug. 13 (85)	*From the Chargé in Paraguay (tel.)* Report that Argentine suggestion concerning policing of Chaco has been turned down by Paraguay.	753
Aug. 14 (95)	*From the Minister in Bolivia (tel.)* Explanation of Bolivia's resentment of intervention by neutrals.	753
Aug. 17	*Memorandum by the Chief of the Division of Latin American Affairs* Conversation with the Argentine Ambassador, who stated that his Government had abandoned its representations with respect to policing the Chaco but was continuing its efforts in behalf of a renewal of diplomatic relations.	754
Aug. 22 (87)	*From the Chargé in Paraguay (tel.)* Note from Foreign Minister, August 21 (extract printed), accepting proposal to study nonaggression pact but making no reference to suggestion regarding troops.	754
Sept. 4 (99)	*From the Minister in Bolivia (tel.)* Note from Foreign Office (text printed) expressing readiness to study nonaggression pact but refusing to withdraw troops already in Chaco.	755
Sept. 18 (52)	*To the Minister in Bolivia (tel.)* Note to be presented September 21 on behalf of the neutrals (text printed) suggesting that first meeting to study nonaggression pact be held in Washington October 1. (Footnote: The same, *mutatis mutandis*, to the Minister in Paraguay.)	756

GENERAL

THE CHACO DISPUTE BETWEEN BOLIVIA AND PARAGUAY—Continued

Date and number	Subject	Page
1931		
Oct. 3 (56)	*To the Minister in Bolivia (tel.)* Note for the Foreign Minister (text printed) stating that the neutral representatives have acceded to requests of both Governments that the first meeting be postponed and have now set the date as November 11. (Footnote: The same, *mutatis mutandis*, to the Minister in Paraguay.)	757
Oct. 3 (57)	*To the Minister in Bolivia (tel.)* Note for the Foreign Minister (text printed) expressing concern of neutrals regarding recent clashes in the Chaco, and suggesting that each Government restrict its military forces to their forts. (Footnote: The same, *mutatis mutandis*, to the Minister in Paraguay.)	757
Oct. 9 (70)	*From the Ambassador in Brazil (tel.)* Indications that the military party in Bolivia tends to prevent the meeting in Washington or at least to obstruct its work. Advice that Foreign Minister is concerned and would like to know how he can cooperate with neutrals.	758
Oct. 9 (69)	*To the Ambassador in Argentina (tel.)* Transmittal of telegram No. 70 from Ambassador in Brazil and reply being sent by Department (No. 70); instructions to take up matter with Foreign Minister with a view to securing any support which he can give. (Footnote: The same, *mutatis mutandis*, to the Ambassadors in Chile and Peru.)	758
Oct. 9 (41)	*To the Minister in Paraguay (tel.)* Inquiry as to whether Paraguay has accepted the proposal to hold first meeting November 11 and the suggestion that military forces be confined within forts.	758
Oct. 9 (70)	*To the Ambassador in Brazil (tel.)* Résumé of action taken so far; instructions to explain the situation to the Foreign Minister and to say that any support which he can give will be welcomed.	759
Oct. 10 (103)	*From the Minister in Paraguay (tel.)* Names of members of Paraguayan Commission to study nonaggression pact; Foreign Office note (extract printed) stating that Paraguayan troops have already been ordered to refrain from acts of provocation.	761
Oct. 10 (127)	*From the Ambassador in Chile (tel.)* Foreign Minister's assurance that he will continue his efforts to persuade Bolivia and Paraguay to submit their dispute to the neutrals.	762
Oct. 10 (334)	*From the Ambassador in Peru (tel.)* Foreign Minister's assurances of complete Peruvian cooperation.	762
Oct. 11 (109)	*From the Ambassador in Argentina (tel.)* Foreign Minister's assertion that he will recommend that Bolivia be represented at November 11 conference and that both parties keep their troops within limits.	763
Oct. 13 (124)	*From the Minister in Bolivia (tel.)* Report on activities of other members of the diplomatic corps in Bolivia.	763

GENERAL

THE CHACO DISPUTE BETWEEN BOLIVIA AND PARAGUAY—Continued

Date and number	Subject	Page
1931		
Oct. 14 (104)	*From the Minister in Paraguay (tel.)* Foreign Office note (extract printed) stating that the Paraguayan delegation will be in Washington on November 11 prepared to open the meeting.	764
Oct. 14 (128)	*From the Ambassador in Chile (tel.)* Activities of Foreign Minister on behalf of peace.	764
Oct. 15 (126)	*From the Minister in Bolivia (tel.)* Efforts to find a method for preventing armed clashes; advice that Bolivia is willing to have conference meet on November 11, although Bolivian delegate cannot reach Washington until later.	765
Oct. 15 (48)	*To the Ambassador in Chile (tel.)* Instructions to express Secretary's appreciation for action taken by Foreign Minister.	765
Oct. 15 (59)	*To the Minister in Bolivia (tel.)* Opinion that there will be no objection at the November 11 meeting to a postponement until the Bolivian delegate arrives.	766
Oct. 16	*To Certain Diplomatic Representatives in Latin America (cir. tel.)* Information that neutral representatives are inviting all other American countries to sign a joint telegram to Bolivia and Paraguay (text printed) urging them to sign a nonaggression pact and to continue to seek a definitive solution of the Chaco question. Instructions to urge Foreign Minister to take action suggested. (Footnote: Sent to diplomatic representatives in all Latin American Republics except Bolivia, Colombia, Cuba, Mexico, Paraguay, and Uruguay.)	766
Oct. 17 [18?] (127)	*From the Minister in Bolivia (tel.)* Information that Bolivia accepts November 11 as opening date, but that Bolivian delegate will not arrive until about November 17.	767
Oct. 18 (128)	*From the Minister in Bolivia (tel.)* Bolivian reply of October 17 (extract printed) to the neutral notes of October 3 (quoted in Department's telegrams No. 56 and No. 57, October 3).	767
Oct. 19	*To Certain Diplomatic Representatives in Latin America (cir. tel.)* Information that joint telegram has been signed by the 19 other American countries and sent to Bolivia and Paraguay. (Footnote: Sent to diplomatic representatives in all Latin American Republics except Bolivia and Paraguay.)	768
Oct. 20	*From the Bolivian Minister for Foreign Affairs (tel.)* Reiteration of Bolivian acceptance, in reply to joint telegram of October 19.	769
Oct. 21	*Memorandum by the Assistant Secretary of State* Conversation with the Bolivian Minister in regard to the despatch of the joint telegram of October 19.	769
Oct. 22	*Memorandum by the Assistant Secretary of State* Conversation with a representative of the British Embassy in regard to the purpose of sending the joint telegram of October 19.	769

GENERAL

The Chaco Dispute Between Bolivia and Paraguay—Continued

Date and number	Subject	Page
1931 Oct. 22	*From the Paraguayan Minister for Foreign Affairs to the Secretary of State and the Diplomatic Representatives of the American Republics in Washington (tel.)* Acceptance of views expressed in joint telegram of October 19. (Note: Information that first meeting was held November 11, at which it was agreed to call another one November 24 in order that the Bolivian delegation might be present.)	770

Boundary Disputes

Dominican Republic and Haiti

1931 May 28 [45]	*From the Minister in Haiti (tel.)* Information that Dominican Government has demanded the withdrawal of Haitian Garde patrols from a section of the southern frontier, stating that the Dominican Army has been ordered to clear the region of foreign troops. Recommendation that Dominican Government be warned to avoid such action.	771
May 29 (20)	*To the Minister in the Dominican Republic (tel.)* Instructions to express U. S. concern over orders said to have been given to Dominican Army especially in view of fact that Haitian Garde is largely officered by members of U. S. Marine Corps, and to express expectation that orders will be rescinded.	771
May 29 (33)	*To the Minister in Haiti (tel.)* Instructions to urge Haitian Government to take steps to prevent aggressive action by the Garde.	772
May 31 (35)	*From the Minister in the Dominican Republic (tel.)* Report that Dominican President asserts he gave no orders to clear the region of foreign troops.	772
June 12 (149)	*From the Minister in Haiti* Report on the situation on the southern frontier, concluding with the information that there are now no Haitian posts in the territory regarded as under dispute.	773
July 13 (436)	*From the Minister in the Dominican Republic* Memorandum from the Foreign Ministry (text printed) endeavoring to show that the Dominican Government has sincerely tried to obtain final demarcation of the frontier but that the Haitian Government has refused to proceed further with the work, and requesting U. S. mediation.	775
Aug. 1 (182)	*From the Minister in Haiti* Assertion by the Foreign Minister that Haiti does not intend to proceed with the demarcation of the boundary as provided in the 1929 treaty, since that treaty was a disastrous one for Haiti.	784
Oct. 28 (177)	*To the Minister in the Dominican Republic* Memorandum for presentation to the Dominican Government (text printed) explaining that the U. S. Government did not proffer its mediation and that it considers the provisions of articles 4 and 7 of the 1929 treaty adequate to meet the present situation.	786

GENERAL

BOUNDARY DISPUTES—Continued

DOMINICAN REPUBLIC AND HAITI—continued

Date and number	Subject	Page
1931 Oct. 28 (33)	*From the Minister in the Dominican Republic* Information that the Dominican Foreign Minister hopes to initiate direct conversations with the Haitian Foreign Minister with a view to clearing up the dispute.	788
Nov. 3 (46)	*From the Minister in the Dominican Republic* Inquiry as to whether action set forth in Department's No. 177 of October 28 may not be withheld in view of possibility of direct conversations.	789
Nov. 25 (192)	*To the Minister in the Dominican Republic* Authorization to defer action indicated in Department's No. 177; instructions, however, to make clear informally that the United States has not proffered its mediation.	791
Dec. 2 (101)	*From the Minister in the Dominican Republic* Foreign Minister's intention to seek to initiate direct conversations as soon as January congressional elections in Haiti are over.	791
	HONDURAS AND NICARAGUA	
1931 Jan. 21 (17)	*From the Minister in Nicaragua (tel.)* Information that Honduran–Nicaraguan boundary protocol has been signed by Nicaragua and will be submitted to the Congress for ratification. (Repeated to Tegucigalpa.)	792
Feb. 3 (27)	*From the Chargé in Nicaragua (tel.)* Report of conversation with the Foreign Minister, who advised that every effort will be made to gain the favorable support of the Liberal members who make up two-thirds of the Congress.	792
Feb. 5 (28)	*From the Chargé in Nicaragua (tel.)* Foreign Minister's hope that the protocol will remain in committee long enough for the Government to line up the recalcitrant members of the Liberal Party.	793
Feb. 10 (32)	*From the Minister in Honduras (tel.)* Information that the Honduran Congress ratified the protocol on February 9 without reservation. (Repeated to Managua.)	794
Feb. 17 (33)	*From the Minister in Nicaragua (tel.)* Indications that protocol will not be ratified unless sentiment can be changed; suggestions of Foreign Minister for possible issuance of statements by the Department and the Legation.	794
Feb. 19 (19)	*To the Minister in Nicaragua (tel.)* Department's opinion that the action of the Nicaraguan Congress should not be influenced by a third state; authorization to discuss matter with persons in a position to be of assistance.	795
Feb. 19 (13)	*To the Minister in Honduras (tel.)* Transmittal of telegram No. 19 to Nicaragua for Legation's information and action; request for report on results.	796

GENERAL

Boundary Disputes—Continued

HONDURAS AND NICARAGUA—continued

Date and number	Subject	Page
1931 Undated [Rec'd Feb. 20] (35)	*From the Minister in Nicaragua (tel.)* Telegram to Legation at Tegucigalpa, February 20 (text printed), advising of imminent departure of Nicaraguan Senator for Tegucigalpa to endeavor to obtain further concessions on the boundary matter from Honduras.	797
Feb. 21 (39)	*From the Minister in Honduras (tel.)* Telegram to the Legation at Managua (text printed) giving information of acceptance by Honduras of informal suggestion to increase frontier patrol.	797
Mar. 6 (355)	*From the Minister in Nicaragua* Information that Senator has left for Honduras with instructions to bring about more effective cooperation on part of Honduran Government; belief that Nicaraguan public opinion is becoming more favorable toward the protocol.	798
Mar. 21 (51)	*From the Minister in Honduras (tel.)* Telegram to Legation in Managua (text printed) indicating that Honduran President realizes Nicaragua will not ratify the protocol unless Honduras makes some concessions.	799
Mar. 23 (52)	*From the Minister in Honduras (tel.)* Telegram to Legation in Managua (text printed): Advice that only hope of ratification lies in Honduran sacrifice; request for Department's and Legation's opinion as to whether Minister should talk informally to Hondurans along those lines.	801
Mar. 24 (18)	*To the Minister in Honduras (tel.)* Department's opinion that it would be inadvisable to attempt to influence negotiations until views of both parties are more concretely defined; request to repeat to Managua.	801
May 6 (64)	*From the Minister in Nicaragua (tel.)* Information that boundary protocol has been resubmitted to Nicaraguan Congress because of destruction by fire of original documents; chance that it will be approved in a few days.	801
May 8 (111)	*To the Minister in Nicaragua (tel.)* Department's gratification at the resubmission of the protocol to Congress and earnest hope that favorable action will be taken.	802
June 12 (106)	*From the Minister in Nicaragua (tel.)* Information that protocol has been under discussion for several days and that the President is giving the matter his personal attention.	803
June 20 [114]	*From the Minister in Nicaragua (tel.)* Information that Senate approved majority report on protocol on June 19; that report represents best compromise obtainable but makes radical changes in protocol. (Repeated to Tegucigalpa.)	803
June 30 (125)	*From the Minister in Nicaragua (tel.)* Senate decree (excerpts printed) modifying protocol; information that President and Chamber of Deputies will approve protocol in amended form soon. (Repeated to Tegucigalpa.)	803

GENERAL

BOUNDARY DISPUTES—Continued

HONDURAS AND NICARAGUA—continued

Date and number	Subject	Page
1931 July 8 (134)	*From the Minister in Nicaragua (tel.)* Advice that amended protocol has been passed by both Houses; opinion that outcome of negotiations now depends on attitude of Honduras.	804
Aug. 13 (472)	*From the Minister in Nicaragua* Text of the Protocol of Agreement of the Boundary Question with Honduras, as passed by Nicaraguan Congress on June 25, 1931.	805

REPRESENTATIONS BY FOREIGN GOVERNMENTS WITH RESPECT TO SENATE BILL RELATING TO PAYMENT OF ADVANCE WAGES TO SEAMEN ON FOREIGN VESSELS

1930 Mar. 19	*From the British Embassy* Protest that Senate Bill No. 314 if enacted would be contrary to accepted principles of international law and would have a serious effect upon British-American commerce. (Footnote: Information that on February 24, 1931, the British Ambassador orally reminded the Department of the British attitude.)	808
Apr. 7	*From the Canadian Legation* Apprehension of Canadian shipping interests with respect to S. 314. (Footnote: Information that on February 11, 1931, the Department was informally advised of Canada's continued opposition to the pending bill.)	810
1931 Feb. 28	*From the British Embassy* Recapitulation of British objections to S. 314. (Footnote: Information that on January 4, 1932, the Department advised the Chairman of the Senate Committee on Commerce of its opposition to the bill.)	811

REPRESENTATIONS BY FOREIGN GOVERNMENTS REGARDING SENATE BILLS FOR THE DEPORTATION OF CERTAIN ALIEN SEAMEN

1931 Feb. 21	*From the British Embassy* British objections to Senate Bill No. 202.	815
Feb. 25 (634)	*From the Netherlands Legation* Netherlands objections to S. 202.	816
Mar. 3	*Memorandum by the Assistant Secretary of State of a Conversation With the German Ambassador* Information given to the Ambassador that the Department had already signified its opposition to the bill in its present form.	817
Mar. 3	*From the German Embassy* German objections to S. 202.	818

GENERAL

REPRESENTATIONS BY FOREIGN GOVERNMENTS REGARDING SENATE BILLS FOR THE DEPORTATION OF CERTAIN ALIEN SEAMEN—Continued

Date and number	Subject	Page
1931 Mar. 3	*Memorandum by the Secretary of State of a Conversation With the British Ambassador* Discussion of British objections to S. 202.	818
Oct. 6	*From the French Chargé* Explanation of ways in which S. 202 would cause loss to French merchant marine interests.	819

IMMUNITY OF FOREIGN STATES FROM SUITS IN FEDERAL AND STATE COURTS; REPRESENTATION OF THE UNITED STATES BEFORE FOREIGN COURTS

1930 Nov. 13 (5334)	*From the Czechoslovak Chargé* Inquiry as to whether foreign states may be sued in U. S. courts, and whether U. S. representatives abroad may represent the United States in foreign courts.	821
1931 Mar. 14	*To the Czechoslovak Minister* Explanation of procedure whereby it has become established that foreign states are immune from suit in U. S. courts, and of procedure whereby the United States may be represented in foreign courts.	822

DIPLOMATIC IMMUNITY OF A FOREIGN COMMERCIAL ATTACHÉ IN THE UNITED STATES

1931 Nov. 6	*From the Attorney General* Inquiry as to what constitutes a commercial attaché and whether such an official is entitled to diplomatic immunity.	823
Nov. 7	*To the Attorney General* Definition of a commercial attaché, and information that such an official is entitled to diplomatic immunity.	823

AFGHANISTAN

DISINCLINATION OF THE UNITED STATES TO ESTABLISH OFFICIAL RELATIONS WITH THE GOVERNMENT OF AFGHANISTAN

1931 Apr. 15 (109)	*From the Ambassador in Great Britain (tel.)* Advice that the Afghan Minister desires to call and discuss the question of recognition; request for instructions.	825
Apr. 16 (97)	*To the Ambassador in Great Britain (tel.)* Instructions to express willingness to transmit the Afghan Minister's statements to the Department.	825
Sept. 19 (177)	*From the Chargé in Italy (tel.)* Report of conversation in which the Afghan Minister expressed his Government's interest in establishing relations with the United States and negotiating a treaty.	825

AFGHANISTAN

DISINCLINATION OF THE UNITED STATES TO ESTABLISH OFFICIAL RELATIONS WITH THE GOVERNMENT OF AFGHANISTAN—Continued

Date and number	Subject	Page
1931 Sept. 24 (143)	*To the Chargé in Italy (tel.)* Instructions to say that the U. S. Government has given no recent consideration to the question of establishing relations with the Afghan Government and that the present is not considered an opportune time to negotiate a treaty.	826

ALBANIA

UNPERFECTED TREATY OF NATURALIZATION BETWEEN THE UNITED STATES AND ALBANIA, SIGNED JANUARY 21, 1931

1929 Oct. 23 (254)	*To the Minister in Albania* Transmittal of draft naturalization treaty with instructions for entering upon negotiations with the Albanian Government; instructions to endeavor in the meantime to obtain an informal agreement whereby persons born in the United States of Albanian parentage may visit Albania temporarily without molestation.	827
1930 Mar. 13 (765)	*From the Chargé in Albania* Note from the Foreign Minister, March 8 (text printed), establishing informal agreement desired by Department.	830
Apr. 3 (11)	*From the Chargé in Albania (tel.)* Modifications desired by Albania in proposed naturalization treaty.	831
Apr. 14 (10)	*To the Chargé in Albania (tel.)* Indication of the modifications which can be accepted and those which cannot; authorization to sign a treaty drawn accordingly.	831
Aug. 28 (67)	*From the Minister in Albania* Note from the Foreign Minister, August 25 (text printed), proposing an alternate article II.	832
Dec. 15 (48)	*From the Minister in Albania (tel.)* Advice that the treaty has been approved as submitted by Department with modifications authorized in Department's No. 10 of April 14.	835
1931 Jan. 21	*Treaty of Naturalization Between the United States of America and Albania* Text of treaty signed at Tirana.	835
Nov. 2 (91)	*To the Minister in Albania* Advice that the Department has concluded that article I, paragraph 3 of the treaty should be clarified before it is presented to the Senate for ratification; instructions to discuss matter with Foreign Minister and to say that the United States would be glad to sign a new treaty with the paragraph omitted.	837

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AUSTRALIA

Proposed Treaty Between the United States and Australia Relating to Rights of Entry for Businessmen

Date and number	Subject	Page
1930		
Apr. 29	*Memorandum by the Under Secretary of State of a Conversation With the British Ambassador* Ambassador's suggestion that an *ad hoc* treaty with Australia be drafted relating to rights of entry for Australian businessmen.	839
Dec. 19 (474)	*From the British Ambassador* Explanation of Australia's desire to conclude a treaty extending to Australian businessmen the right to enter the United States as treaty traders.	839
Dec. 19	*From the British Ambassador* Expression of hope that draft can be agreed upon in time to be considered in present session of Congress.	840
Dec. 23	*To the British Ambassador* Willingness to consider draft treaty; assumption that first draft will come from the Ambassador.	841
1931		
Apr. 27	*From the Under Secretary of State to the Chief of the Treaty Division* Request for study of two drafts left by the British Ambassador.	841
Aug. 6	*From the British Chargé* Explanation of desire for Department's expression of preference regarding the two provisional drafts submitted by the British Ambassador.	841
Nov. 17	*From the Counselor of the British Embassy* Reiteration of desire for expression of U. S. preference.	842
Dec. 1	*To the Counselor of the British Embassy* Advice that the matter will be brought to the attention of the appropriate committee soon after Congress reconvenes in December.	843

Policy in Regard to American Citizens Abroad Joining Associations Engaged in Subversive Activities in Foreign Countries

1931		
Mar. 19 (587)	*From the Consul General at Sydney* Request for instructions as to U. S. policy concerning U. S. citizens who join certain organizations.	843
May 15	*To the Consul General at Sydney* Explanation of U. S. policy and factors which would affect decisions in individual cases.	844

AUSTRIA

RATIFICATION OF COMMERCIAL TREATY OF JUNE 19, 1928, BETWEEN THE UNITED STATES AND AUSTRIA, WITH SUPPLEMENTARY AGREEMENT SIGNED JANUARY 20, 1931

Date and number	Subject	Page
1929		
Feb. 12 (3)	*To the Minister in Austria (tel.)* Advice that the Senate has consented to ratification of commercial treaty subject to a reservation limiting article VII.	847
Feb. 26 (2122)	*From the Minister in Austria* Explanation of Foreign Office discomfort at having to submit treaty to Parliament again.	848
July 23	*From the Minister in Austria* Information that situation is becoming difficult in view of lack of further instructions from Department; explanation of importance of pushing matter along.	849
Aug. 28	*To the Minister in Austria* Explanation of political situation which continues to impede progress on treaty matter.	850
1930		
June 25 (28)	*From the Minister in Austria (tel.)* Foreign Office advice that if treaty is resubmitted to Parliament it will be amended to expire in 1935 instead of 6 years after ratification; suggestion that effort be made to eliminate Senate reservation.	851
July 7 (27)	*To the Minister in Austria (tel.)* Difficulties involved in Senate reconsideration of reservation; hope that Austria will accept reservation without change.	852
Aug. 5 (67)	*From the Minister in Austria* Report that treaty question has been taken up again with Foreign Office; advice that Austria is reluctant to have any commercial treaties extend beyond 1935 and is cool toward the most-favored-nation clause itself; explanation of one argument which may have influence.	853
Aug. 26 (34)	*To the Minister in Austria (tel.)* Approval of proposed argument, and request for opinion concerning advisability of accepting 1935 limitation.	856
Aug. 29 (38)	*From the Minister in Austria (tel.)* Information that Austrian Government now asserts that it cannot exchange ratifications with or without Senate reservation without also shortening term of treaty.	857
Sept. 2 [40]	*From the Minister in Austria (tel.)* Report that Foreign Office has suggested an exchange of notes providing for Senate reservation and shortened term.	857
Nov. 25 (61)	*From the Minister in Austria (tel.)* Information that new Parliament will convene December 2; request for instructions concerning treaty.	858
Dec. 8 (45)	*To the Minister in Austria (tel.)* Instructions to propose supplementary article to provide for shortened term, and exchange of notes in regard to Senate reservation.	858

AUSTRIA

RATIFICATION OF COMMERCIAL TREATY OF JUNE 19, 1928, BETWEEN THE UNITED STATES AND AUSTRIA, WITH SUPPLEMENTARY AGREEMENT SIGNED JANUARY 20, 1931—Continued

Date and number	Subject	Page
1930 Dec. 11 (64)	*From the Minister in Austria (tel.)* Information that Foreign Office agrees to method proposed.	859
1931 Jan. 20 (3)	*From the Minister in Austria (tel.)* Advice that Austrian Government has signed acceptance of Senate reservation and supplemental article.	859
Jan. 23 (5)	*From the Minister in Austria (tel.)* Emphasis upon importance of early ratification in view of growing Austrian dislike for most-favored-nation clause.	860
Feb. 17 (9)	*From the Minister in Austria (tel.)* Advice that Foreign Minister has inquired concerning prospects of Senate action during present session.	860
Feb. 24 (9)	*To the Minister in Austria (tel.)* Information that Senate consent to ratification of supplementary agreement was given February 20.	861
Mar. 14 (13)	*From the Minister in Austria (tel.)* National Council's approval of supplemental article and Senate reservation, March 13.	861
Mar. 18 (14)	*From the Minister in Austria (tel.)* Federal Council's approval of supplemental article and reservation, March 17.	861
Mar. 30 (24)	*From the Minister in Austria (tel.)* Advice that Austrian Government is prepared to effect exchange as soon as American instrument is received.	861
Apr. 1 (15)	*To the Minister in Austria (tel.)* Information that the U. S. Government has construed Austrian ratification as condition precedent to U. S. ratification and now awaits Austrian President's action.	862
Apr. 2 (26)	*From the Minister in Austria (tel.)* Information that President ratified supplemental article and reservation March 28.	862
Apr. 10 (34)	*From the Minister in Austria (tel.)* Receipt of formal advice from Foreign Office of its readiness to exchange ratifications, and its inquiry when the Legation will be prepared to do so.	863
Apr. 11 (21)	*To the Minister in Austria (tel.)* Advice that question of ratification is being considered and that instructions will be sent later.	863
Apr. 30 (72)	*To the Minister in Austria* Transmittal of instruments of ratification with instructions for exchange; note to be presented to the Foreign Minister at time of exchange (text printed) making clear that the fact of ratification after the Austrian announcement of its projected customs treaty with Germany has no significance in relation to the most-favored-nation clause; instructions not to proceed with exchange until further notification.	863

AUSTRIA

RATIFICATION OF COMMERCIAL TREATY OF JUNE 19, 1928, etc.—Continued

Date and number	Subject	Page
1931		
May 14 (38)	*From the Minister in Austria (tel.)* Fear that exchange of ratifications might be jeopardized by note to Foreign Minister.	865
May 21 (25)	*To the Minister in Austria (tel.)* Authorization to exchange ratifications without presenting note.	865
May 27 (42)	*From the Minister in Austria (tel.)* Notice that ratifications have been exchanged.	865

OPPOSITION IN AUSTRIA TO THE SHOWING OF THE MOTION PICTURE "ALL QUIET ON THE WESTERN FRONT"

1931		
Mar. 27 (11)	*To the Minister in Austria (tel.)* Distributors' desire that U. S. Government take up with Austria the matter of the ban on "All Quiet on the Western Front"; request for report on situation.	866
Apr. 2 (27)	*From the Minister in Austria (tel.)* Advice that Austrian action was taken at request of Germany.	866
Apr. 8 (33)	*From the Minister in Austria (tel.)* Information from the Foreign Minister that Austria will follow Germany's lead; opinion that it would be inadvisable to take up matter formally until film is released in Germany.	867
Apr. 13 (262)	*From the Minister in Austria* Detailed report on situation and on action taken.	867
Nov. 5 (122)	*From the Minister in Austria (tel.)* Information that, although Germany has permitted the film to be shown, Austria has decided that in view of the present unrest the ban cannot be removed in Austria at present.	872
Nov. 7 (412)	*From the Minister in Austria* Report on action taken following German showing of the film, and an Austrian decision not to remove the ban at present.	872

BOLIVIA

REPRESENTATIONS TO BOLIVIA AGAINST THE IMPOSITION OF A TAX UPON DIPLOMATIC TELEGRAMS

1931		
Apr. 15 (33)	*From the Chargé in Bolivia (tel.)* Information concerning Government's intention to collect taxes on diplomatic cables; intention to protest if Department approves.	874
Apr. 23 (15)	*To the Chargé in Bolivia (tel.)* Approval of plans to protest, and instructions concerning grounds.	874
July 27 (192)	*From the Minister in Bolivia* Information that the President issued a decree on July 7 providing for exemption of diplomatic cables from tax.	874

BRAZIL

Representations Against Brazilian Decree Establishing a Discount of 50 Percent on Consular Fees to Shippers by the Lloyd Brasileiro Navigation Company

Date and number	Subject	Page
1931		
Mar. 20 (20)	*To the Ambassador in Brazil (tel.)* Instructions to take up with the authorities the possible modification of Decree No. 19682, which favors the Lloyd Brasileiro Navigation Company over U. S. shipping companies.	876
Apr. 29 (24)	*From the Ambassador in Brazil (tel.)* Foreign Minister's assertion that favors of Decree 19682 are a form of subvention and cannot injure rights of other nationals.	876
May 9 (3591)	*From the Ambassador in Brazil* Further report on the Foreign Minister's views regarding the decree.	877
May 16 (34)	*To the Ambassador in Brazil (tel.)* Department's view that decree discriminates against U. S. lines; instructions to make further effort to secure modification.	878
May 23 (3604)	*From the Ambassador in Brazil* Report that Foreign Office attitude is unchanged; opinion of members of diplomatic corps that an official attempt to secure modification might incite action more injurious than Decree 19682.	878
Aug. 27 (1662)	*To the Ambassador in Brazil* Department's views regarding decree; advice that unless it is modified, U. S. Shipping Board may take retaliatory action as provided by the Shipping Act of 1916; instructions for further communication to Brazilian Government.	879
Dec. 10 (96)	*To the Ambassador in Brazil (tel.)* Request for report in reply to Department's No. 1662 of August 27.	882
Dec. 11 (3748)	*From the Ambassador in Brazil* Report that the Brazilian attitude has not altered; opinion that terms of decree are not severe in comparison with retaliatory measures which Brazil could take.	882
1932		
Feb. 10 (1707)	*To the Ambassador in Brazil* Advice that, in view of the Ambassador's opinion, the Shipping Board will give further consideration to the matter.	883

Inability of the United States to Sell Warships to Brazil Because of Treaty Restrictions

1931		
Dec. 1 (97)	*From the Ambassador in Brazil (tel.)* Understanding that Brazil has instructed its Ambassadors to ask whether America or Great Britain could sell Brazil two light cruisers; desire to know Department's reply.	883
Dec. 1 (92)	*To the Ambassador in Brazil (tel.)* Information that the Department has advised the Brazilian Ambassador that, in view of the provisions of the Washington Naval Treaty and the London Naval Treaty, the United States cannot make the desired sale.	884

BRAZIL

INABILITY OF THE UNITED STATES TO SELL WARSHIPS TO BRAZIL BECAUSE OF TREATY RESTRICTIONS—Continued

Date and number	Subject	Page
1931 Dec. 1	*Memorandum by the Assistant Secretary of State* Conversation with the Brazilian Ambassador, who was informed of the treaty provisions which prevent the United States from making the desired sale.	884

BULGARIA

REPRESENTATIONS ON BEHALF OF STANDARD OIL INTERESTS IN BULGARIA WITH RESPECT TO GOVERNMENT ACTION FIXING THE PRICE OF KEROSENE

1931 Sept. 21 (291)	*From the Minister in Bulgaria* Advice that the Standard Oil Company representative asserts that the new price set for kerosene is below the cost of importation, that his company will not sell at that price, and that it fears confiscation; report of conversations with Acting Prime Minister, who finally stated that confiscation would not be applicable to foreign firms, but that new price is necessary to relieve peasants.	886
Oct. 24 (8)	*To the Minister in Bulgaria (tel.)* Assumption that accuracy of Standard Oil contention has been established; instructions for making representations.	888
Oct. 27 (27)	*From the Minister in Bulgaria (tel.)* Advice that the Prime Minister has given assurance that Standard Oil will be accorded full satisfaction.	890
Nov. 27 (10)	*To the Minister in Bulgaria (tel.)* Department's surprise at Standard Oil's ability to sell kerosene at some places below price fixed; request for explanation.	890
Nov. 30 (33)	*From the Minister in Bulgaria (tel.)* Explanation that company was selling kerosene at lower price for reasons of business competition.	891

CANADA

PROJECT FOR IMPROVEMENT OF THE ST. LAWRENCE WATERWAY BY JOINT ACTION OF THE UNITED STATES AND CANADA

1931 Oct. 6 (537)	*From the Minister in Canada* Note from the Canadian Secretary of State for External Affairs, September 12 (text printed), summarizing present situation in the matter of the proposed St. Lawrence Waterway development.	892
Oct. 7	*Press Release Issued by the Department of State* Information that a direct and verbal exchange of views has been agreed upon as the procedure for the initial negotiations. (Footnote: Identical statement given out at Ottawa.)	893
Nov. 15	*Press Release Issued by the Department of State* Account of exchange of views which took place at Washington, November 14, during which arrangements were made for reconvening of the Joint Engineering Board.	893

CANADA

Representations by Canada Against Changes in Border Crossing Privileges Between Canada and the United States

Date and number	Subject	Page
1930 Dec. 26 (256)	*From the Canadian Chargé* Representations against recent stringent application of General Order No. 86 whereby many daily workers have been prevented from entering the United States.	894
1931 May 11	*To the Canadian Chargé* Instructions issued for the guidance of U. S. immigration officials (text printed), and additional information received by the Department regarding the status of commuters (text printed).	896

Immunity of Consular Officers and Employees From Testifying as to Official Acts and Producing Official Records

1931 May 18	*To the Consul General at Montreal (tel.)* Instructions not to appear in response to subpoena nor to let employee appear or produce records, and to inform appropriate authorities accordingly.	898
May 18 (48)	*To the Minister in Canada (tel.)* Instructions to take matter up with Department of External Affairs, pointing out principle involved, and advising them of instructions given Consul General.	898
May 22 (361)	*From the Minister in Canada* Communication from the Secretary of State for External Affairs, May 20 (text printed), noting that the Consul General and employee were not required to appear or produce records.	899

CHILE

Revolution in Chile

1931 May 5 (42)	*From the Chargé in Chile (tel.)* Report of increased feeling against the Government and of steps being taken by the President.	901
July 11 (64)	*From the Chargé in Chile (tel.)* Cabinet resignation and President's efforts to form new Cabinet.	901
July 13 (67)	*From the Ambassador in Chile (tel.)* Formation of new Cabinet.	902
July 21 (70)	*From the Ambassador in Chile (tel.)* Advice that new Cabinet has resigned and that there are fears of political trouble.	902
July 22 (71)	*From the Ambassador in Chile (tel.)* Information that new Cabinet has been formed, and although there are some favorable aspects of the situation, conditions are still critical.	902
July 23 (72)	*From the Ambassador in Chile (tel.)* Advice that Cabinet has resigned and that demonstrations are taking place.	903

CHILE

REVOLUTION IN CHILE—Continued

Date and number	Subject	Page
1931 July 24 (73)	*From the Ambassador in Chile (tel.)* Formation of new Cabinet.	904
Undated [Rec'd July 24] (74)	*From the Ambassador in Chile (tel.)* Report of clashes between police and students.	904
July 25 (76)	*From the Ambassador in Chile (tel.)* Information that city is practically under martial law and that feeling against President is bitter.	904
July 25 (77)	*From the Ambassador in Chile (tel.)* Assurances from the Chief of Cabinet that the Government has the situation well in hand.	904
July 26 (78)	*From the Ambassador in Chile (tel.)* Account of reactions to President's assertion of intention to resign.	905
July 26 (79)	*From the Ambassador in Chile (tel.)* Information that President has resigned, that a civilian junta is forming, and that there is public rejoicing.	905
July 26 (80)	*From the Ambassador in Chile (tel.)* Report that junta consists of President of Senate and two members of previous week's Cabinet.	906
July 26 (81)	*From the Ambassador in Chile (tel.)* Advice that organization of new Government conforms with Chilean Constitution; report on Cabinet being formed and on financial situation.	906
July 27 (82)	*From the Ambassador in Chile (tel.)* Opinion of Under Secretary for Foreign Affairs that, since transfer of authority followed Constitution, question of recognition is not raised.	906
July 27 (83)	*From the Ambassador in Chile (tel.)* Information that President of Senate has resigned and turned over power to Minister of Interior Montero.	907
July 27 (31)	*To the Ambassador in Chile (tel.)* Concurrence in view that no recognition of new Chilean Government is necessary.	907
July 28 (84)	*From the Ambassador in Chile (tel.)* Opinion that the United States should continue to consider that no question of recognition is raised; explanation that elections must be held within 60 days.	907
Aug. 1 (32)	*To the Ambassador in Chile (tel.)* Inquiry as to when elections will be held.	908
Aug. 6 (87)	*From the Ambassador in Chile (tel.)* Advice that elections have been called for October 4.	908
Aug. 18 (95)	*From the Ambassador in Chile (tel.)* Information that Montero is to be the candidate of all parties except the Left and that, in order to avoid precedent of chief executive being a candidate, he intends to resign as Vice President.	908

CHILE

REVOLUTION IN CHILE—Continued

Date and number	Subject	Page
1931 Aug. 21 (96)	*From the Ambassador in Chile (tel.)* Advice that Senate has refused to accept resignation of Montero but that he is turning over power to Minister of Interior.	908
Sept. 2 (100)	*From the Ambassador in Chile (tel.)* Report of mutiny in Chilean Navy by enlisted men and petty officers, who have taken command of all ships and given the Government 48 hours to meet their demands.	909
Sept. 3 (102)	*From the Ambassador in Chile (tel.)* Report on strikes and other uncertainties of current situation.	909
Sept. 4 (40)	*To the Ambassador in Chile (tel.)* Department's concern in connection with report on situation received from representative of National City Bank of New York.	910
Sept. 5 (105)	*From the Ambassador in Chile (tel.)* Information concerning Government plans for attack on rebels, and steps taken to protect U. S. interests.	910
Sept. 5 (106)	*From the Ambassador in Chile (tel.)* Report of sharp fighting in various places.	911
Sept. 5 (107)	*From the Ambassador in Chile (tel.)* Conversation with the Foreign Minister regarding Chilean Government's obligation to protect U. S. interests.	911
Sept. 5 (108)	*From the Ambassador in Chile (tel.)* Advice that Congress has declared a state of siege throughout Chile for one month.	912
Sept. 6 (109)	*From the Ambassador in Chile (tel.)* Conversation regarding the naval situation with the Minister of War, who sees it as a part of an international movement against social order and desires U. S. help in the form of war materials and permission to announce negotiations with U. S. Government for purchase of two submarines.	912
Sept. 6 (110)	*From the Ambassador in Chile (tel.)* Report on fleet movements.	913
Sept. 6 (111)	*From the Ambassador in Chile (tel.)* Information that Alessandri has been nominated for presidency by all Left parties except extreme Communists.	914
Sept. 6 (42)	*To the Ambassador in Chile (tel.)* Advice that sale of submarines is forbidden by Washington Naval Treaty but that the United States is disposed to cooperate in regard to war materials; explanation, however, of difficulties involved.	914
Sept. 7 (112)	*From the Ambassador in Chile (tel.)* General Vergara's assertion that naval vessels have been bombed and that he believes resistance of the insurgent crews is almost at an end.	915
Sept. 7 (113)	*From the Ambassador in Chile (tel.)* Opinion of Government authorities that war materials requested will not be necessary in view of recent favorable turn of events.	915

CHILE

REVOLUTION IN CHILE—Continued

Date and number	Subject	Page
1931		
Sept. 7 (114)	*From the Ambassador in Chile (tel.)* Navy Department's assertion that last three mutinous ships have agreed to surrender.	916
Sept. 7 (115)	*From the Ambassador in Chile (tel.)* Desire of Government officials to secure services of U. S. specialist in communistic activities to assist in investigation of communist movement which they believe instigated mutiny.	916
Sept. 12 (43)	*To the Ambassador in Chile (tel.)* Instructions to inform authorities that there is not available in U. S. Government service a specialist in communist activities.	917
Oct. 5 (125)	*From the Ambassador in Chile (tel.)* Information that elections were orderly and that Montero was elected President.	917
Oct. 6 (126)	*From the Ambassador in Chile (tel.)* Advice that Montero will resume executive power November 15 but that date for inauguration has not been fixed.	918
Nov. 5 (1013)	*From the Chargé in Chile* Information that inauguration will take place December 5.	918
Nov. 16 (139)	*From the Ambassador in Chile (tel.)* Advice that Montero has reassumed Vice Presidency; that Balmaceda is Foreign Minister and Izquierdo, Minister of Hacienda.	918
Nov. 27 (56)	*To the Ambassador in Chile (tel.)* Instructions for extending the President's congratulations to Montero at the time of his inauguration.	918

PROVISIONAL COMMERCIAL AGREEMENT BETWEEN THE UNITED STATES AND CHILE EFFECTED BY EXCHANGE OF NOTES, SIGNED SEPTEMBER 28, 1931

1931		
July 18 (30)	*To the Ambassador in Chile (tel.)* Expression of Department's concern with regard to new Chilean-French *modus vivendi* which discriminates against American commercial interests; instructions to propose a U. S.-Chilean *modus vivendi* securing most-favored-nation treatment for American commerce. (Footnote: Background information on negotiations.)	919
July 24 (75)	*From the Ambassador in Chile (tel.)* Information that action is under way to grant to the United States unconditional most-favored-nation treatment on all matters covered by French *modus vivendi.*	920
Aug. 12 (93)	*From the Ambassador in Chile (tel.)* Advice that Chile is considering the establishment of a system of licensing imports; request for Department's views.	920

CHILE

PROVISIONAL COMMERCIAL AGREEMENT BETWEEN THE UNITED STATES AND CHILE EFFECTED BY EXCHANGE OF NOTES, SIGNED SEPTEMBER 28, 1931—Continued

Date and number	Subject	Page
1931 Aug. 25 (97)	*From the Ambassador in Chile (tel.)* Advice that Chile is prepared to give to American commerce the same treatment as French commerce but desires assurance of U. S. willingness to discuss general commercial treaty incorporating unconditional most-favored-nation guarantee together with special lists; proposed paragraph (text printed) to be included in exchange of notes.	921
Sept. 1 (99)	*From the Ambassador in Chile (tel.)* Exchange of two notes proposed by Foreign Minister (texts printed) separating the two provisions set forth in No. 97 of August 25.	922
Sept. 2 (39)	*To the Ambassador in Chile (tel.)* Explanation of Department's unwillingness to enter into a new departure in the field of commercial policy as desired by Chile; instructions for continuing efforts to obtain *modus vivendi*.	923
Sept. 25 (119)	*From the Ambassador in Chile (tel.)* Transmittal of draft note from Foreign Minister providing for most-favored-nation treatment, and leaving door open for negotiation of treaty without commitment to any special provisions.	925
Sept. 28 (45)	*To the Ambassador in Chile (tel.)* Approval of note transmitted in No. 119.	925
Sept. 28 (121)	*From the Ambassador in Chile (tel.)* Notification that *modus vivendi* has been signed.	925
Sept. 30 (976)	*From the Ambassador in Chile* Transmittal of copies of notes exchanged on September 28.	926
Sept. 28	*Exchange of Notes Between the Ambassador in Chile and the Chilean Minister for Foreign Affairs* Text of *modus vivendi* signed at Santiago.	926

REPRESENTATIONS AGAINST HOLDING OF AN AMERICAN CITIZEN INCOMMUNICADO FOLLOWING ARREST

1931 Mar. 18 (21)	*From the Ambassador in Chile (tel.)* Report on arrest of Manager of General Motors (Bethune) and of unsuccessful efforts to communicate with him. (Footnote: Extract from instruction No. 604 of October 21, 1925, setting forth Department's view that U. S. citizens should not be held incommunicado.)	928
Mar. 19 (10)	*To the Ambassador in Chile (tel.)* Reiteration of Department's views, and instructions to renew efforts to communicate with Bethune.	928
Mar. 19 (22)	*From the Ambassador in Chile (tel.)* Advice that Bethune has been released on bond but that U. S. views on incommunicado have been presented to Foreign Office nevertheless.	929

CHILE

REPRESENTATIONS AGAINST HOLDING OF AN AMERICAN CITIZEN INCOMMUNICADO FOLLOWING ARREST—Continued

Date and number	Subject	Page
1931		
Mar. 19 (809)	*From the Ambassador in Chile* Explanation of criminal charges against Bethune, of situation leading up to charges, and of action taken; memorandum of conversation with the Foreign Minister on March 19, and two notes presented to him (texts printed).	929
Mar. 22 (23)	*From the Ambassador in Chile (tel.)* Information that Court of Appeals has released Bethune's bond and that a reviewing judge is to be appointed to take case out of hands of Judge of First Instance.	933
Mar. 27 (15)	*To the Ambassador in Chile (tel.)* Instructions for presenting note to the Foreign Minister (text printed) in order to avoid possible misunderstanding of U. S. position.	934
Mar. 28 (16)	*To the Ambassador in Chile (tel.)* Explanation that General Motors is apprehensive regarding the safety of its personnel in Chile; instructions for bringing matter to the attention of the authorities.	934
Mar. 30 (28)	*From the Ambassador in Chile (tel.)* Report on protection arranged for General Motors personnel.	935
Apr. 1 (33)	*From the Ambassador in Chile (tel.)* Foreign Office note (text printed) setting forth Chilean position regarding principle of incommunicado and Bethune case in particular; opinion that Chilean position cannot be defended under international law.	935
Apr. 2 (18)	*To the Ambassador in Chile (tel.)* Inquiry as to whether Bethune was held incommunicado by order of the judge or of police authorities.	936
Apr. 2 (35)	*From the Ambassador in Chile (tel.)* Information that Bethune was held incommunicado by order of the judge.	937
Apr. 6 (21)	*To the Ambassador in Chile (tel.)* Advice that Chilean Ambassador has suggested that U. S. notes and Chilean reply be withdrawn; that Department has refused but has agreed to make no further reply provided the Chilean note is not published.	937
Apr. 21 (845)	*From the Chargé in Chile* Report on Chilean Supreme Court decision which confirms justice of Embassy's protests.	938

GENERAL

EFFORTS OF THE UNITED STATES TO PREVENT FINANCIAL COLLAPSE IN EUROPE

I. Proposal by President Hoover for a Moratorium on Intergovernmental Debts

863.51/962½

Memorandum by the Secretary of State

[WASHINGTON,] May 27, 1931.

Governor Harrison[1] called up to say that there was a serious situation in Austria; that one of their most important banks [2] was in trouble. He said that the Austrian Government had a plan to put up 15 millions of dollars itself and about half of that by the Austrian National Bank and by Rothschild in addition; that, however, it was uncertain whether this government contribution was conditioned on finding it possible to raise the money by a sale of government notes. He said that financial circles are afraid that a breakdown in this Austrian matter might spread trouble to the rest of Europe; that already repercussions have been felt on the German exchange, which had fallen off six points yesterday; that this was below the gold export point to Germany and might lead to exportations of gold; and it was felt that a failure in the Austrian situation would add to Germany's causes for seeking a postponement of the payment of its own reparation obligations. Harrison said that there was much concern also in London and Paris, and there were rumors that France had forced the situation in order to make Germany ask for loans, on the basis of which France would get assistance in a solution of the Customs Union problem [3] which would be favorable to her.

I first asked Harrison who in Washington knew about this matter. He said Eugene Meyer [4] knew about it, and I asked him whether he had any suggested remedy. He said that he had nothing for the immediate emergency—nothing except rather drastic general suggestions which he could not discuss over the telephone.

I then called up the President and told him of this. He said that he had been following the trouble in Austria for several days. I told

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[1] George Harrison, Governor of the Federal Reserve Bank of New York.
[2] The Credit Anstalt.
[3] See pp. 565 ff.
[4] Governor of the Federal Reserve Board.

him that we had received a confirmation of this from our Minister in Austria. He said that it was believed that a part of the recent liquidation on our stock market had come from the unloading of securities from Austria due to this situation.

H[ENRY] L. S[TIMSON]

462.00R296/3945 : Telegram

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

[Paraphrase]

BERLIN, May 29, 1931—4 p. m.
[Received May 29—2 : 25 p. m.]

65. Lately in the Berlin press there have been many reports that the Government of Germany is about to seek some alleviation of its reparations payments. These rumors have now solidified along the line that in Geneva Henderson [5] was quite receptive to this idea. Rumor also has it that at Chequers Bruening and Curtius [6] will discuss with the British methods of carrying out this idea and that later on the German Government will take concrete steps. I believe that American newspaper correspondents have cabled home such stories in the last few days.

In a confidential conversation this morning the head of the Economic Section of the German Foreign Office stated that Germany was greatly embarrassed by this attempt to force action and intended to do all it could to quiet the press campaign. He deprecated in particular an article in the London *Daily Herald* which suggested a transition loan. He stated once again that clear-thinking German officials recognized that financial difficulties elsewhere made it hard to draw up plans for relieving Germany (reference is to my despatch of May 4, No. 898).[7] He said that Germany realized that there were other important questions confronting the world besides the reparations question. This Foreign Office official predicted that today the whole German Cabinet would without doubt endorse the view of Bruening and Curtius that the German Government was not at present able to suggest any definite measures for the relief of Germany. The Cabinet's view would then be sent to the Reichsrat for approval before Chancellor Bruening leaves for England. The Foreign Office official, in order to prove his statement that Germany

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[5] Arthur Henderson, British Secretary of State for Foreign Affairs.

[6] Heinrich Bruening, German Chancellor, and Julius Curtius, German Minister for Foreign Affairs, were invited to engage in some conversations with British leaders. They were in Great Britain June 5–10 and spent the week end with the British Prime Minister, J. Ramsay MacDonald, at Chequers.

[7] Not printed.

was at present unable to foresee any definite measures of relief resulting from either British or German proposals, said that Bruening and Curtius would take with them to Chequers only two young secretaries who spoke English but who could not be classified as technical experts.

GORDON

462.00R296/3946 : Telegram

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

[Paraphrase]

BERLIN, June 2, 1931—8 [*9?*] p. m.
[Received 9 : 25 p. m.]

67. Reference is made to the Department's No. 64 of June 1, noon.[8]

1. As of this evening the official attitude of the German Government remains that Germany still does not feel able to suggest at Chequers any specific plans for relief from reparations. Germany does intend, however, to discuss fully the reparations question in general.

2. Since last Friday the Cabinet has been in continuous session. Discussions have dealt primarily with the new emergency tax decree which will be shortly forthcoming. During the course of these discussions reparation questions have constantly arisen. I understand, however, that the Cabinet has not arrived at a decision for directing a definite approach to discussions on the revision of reparations at Chequers. This was confirmed to me this afternoon by the Chief of the American Division of the Foreign Office. He corroborated at the same time the statements which I reported in paragraph 2 of my No. 65 of May 29, 4 p. m. He also stated that in the forthcoming exchange of views with the British, the Germans would fully set forth in general terms their economic situation without pressing for any solution along particular lines. He added that there could be no thought of making a definite decision or of doing more than exchanging views because the Germans well recognized that Chequers was not the place for making final decisions.

3. Dr. Paul Kempner, who is a most reliable source close to the Government (see my No. 6, January 23, 3 p. m.),[8] informs me that since last Friday Bruening has met such strong and unexpected opposition to the tax decree (both in the Cabinet and outside it) that the pressure on him is greater than usual. In order to secure the

[8] Not printed.

Cabinet's approval of this decree before he leaves tomorrow night the Chancellor will no doubt have to agree to initiate discussions at Chequers looking toward reparations revision without, however, indicating his specific line of approach or promising to propose specific relief measures.

4. It will be observed by the Department that once again a distinction is maintained between general and specific discussion of the reparation problem. Therefore there is no contradiction between this and what the Foreign Office has already said, although it clearly suggests the increased role which reparations matters will have in the conversations at Chequers and the rapidity with which the question is gaining momentum.

5. Dr. Kempner has consistently been among the group of Germans who have opposed raising the question of the revision of reparations prematurely. He now says that the German Government before the end of the summer will be forced to initiate general discussions with the interested Allied Powers on reparation revision.

6. Tomorrow I shall send another message supplementing this telegram.

GORDON

462.00R296/3948 : Telegram

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

[Paraphrase]

BERLIN, June 3, 1931—4 p. m.
[Received June 3—3 : 59 p. m.]

68. Reference is made to paragraph 3 of my No. 67, June 2, 9 p. m.

1. There is increasing opposition to the proposed emergency decree. This is closely related to the pressure for revision of reparations which, even if embarrassing to the Government, is agitated for actively in other quarters. The national convention of the Social Democratic Party which is now in session has strongly urged revision. Also the Reichstag members of the People's Party led by Dr. Curtius have just passed a resolution declaring that the German people can bear further sacrifices only if the Government which demands those sacrifices simultaneously and of its own will begins negotiations for the revision of reparations. The intention of the Government now is to have President von Hindenburg issue this decree and with it a manifesto to the German Nation setting forth the necessity for the decree—this to be done while Chancellor Bruening is in England. The manifesto will no doubt lay stress on reparations questions. I under-

stand that the new decree includes increased taxes on certain staple commodities and on income as well as cuts in war pensions and doles. The decree is certainly drastic and even the Government expects attempts at public disorder and other trouble.

2. The Department will have gathered from previous reports that Kempner, who has quite often acted unofficially as a negotiator for the German Government, has very close ties with powerful French banking circles. Kempner stated, in a conversation reported in my telegram yesterday, that he had been sounding out these circles for some days in an unofficial way and that he had been told that if our Government should give them the "pretext" to take action they could do something about reparation revision, since they were more prepared to act than is the general supposition. I have not been able to check this statement, but the other statements reported in the telegram to which I refer and in my telegram No. 65 of May 29 have been checked in as many quarters as possible.

3. I believe that the German Government is not yet prepared to suggest definite schemes for reparation revision and that it still wants to make a distinction between specific and general discussions at Chequers and to travel at its own speed (see the fourth paragraph of my telegram No. 67). Events here are moving very rapidly (the situation, for instance, has changed materially since Friday last) and it appears from here that (if the phrase may be used) the buck is rapidly being passed to us, and the moment when the German Government will take definite steps toward the revision of reparations is approaching rapidly also. For instance, last night an influential Government official who is known for his clear thinking said that representations will be made to the interested Governments with a view to readjusting reparations. (See my telegram of yesterday, paragraph 5). He said these representations would come within 4 to 6 weeks after the new decree is promulgated. Incidentally, it may be noted that there is a decided lack of agreement here as to the procedure for reparation readjustment in spite of all the measure of agreement on the necessity for such readjustment. There is doubt whether to default in payment, to seek an agreement with creditor nations, to request an investigation by the Bank for International Settlements, or to declare a moratorium.

The two telegrams under reference and the code text of this telegram have been mailed to London.

GORDON

462.00R296/3954 : Telegram

The Chargé in Great Britain (Atherton) to the Secretary of State

[Paraphrase]

LONDON, June 8, 1931—2 a. m.
[Received 6 : 12 a. m.[10]]

175. Reference is to your No. 154 of June 6, 11 a. m.[11] On his return from Chequers tonight, the Prime Minister saw me for an hour. The conversations there, he stated, took place without notes and for that reason his talk to me might not coincide with the purely official résumés to be given by the Foreign Office to the French and Italian Ambassadors tomorrow. He asked, consequently, that I make no reference to his remarks at the Foreign Office and that you do not refer to them in talks with British officials in Washington.

Reference was made by the Prime Minister to the general world economic depression and to his belief in the desirability of international conversations, not, he said, that he was wholly abandoning the line of thought contained in his letter (see Embassy's 67 of March 5, 1 p. m.).[12] He then detailed the background (see Embassy's 170, June 5, 6 p. m.)[11] against which the invitation had been extended to the Germans to visit England and also the reasons for the subsequent postponement to the present date. He had been happy, he said, at first to bring Germany in a friendly and social manner into European deliberations but that he was nonplused, as the time for the Chequers visit grew nearer, by the probability that Germany's economic situation would overshadow all other phases of Bruening's conversation with him. He had, he added, questioned Bruening with regard to the Berlin manifesto on Saturday with its hopeful political introduction which had come to him as a complete surprise. Bruening had replied that some helpful potion had to be administered since the new "prohibitive taxes" were so unpalatable to Germany. The text of the manifesto, to date, is not available here.

Mr. MacDonald stated that during the conversation Bruening stressed the adverse economic plight of the Reich, increasing unemployment added to ever higher taxation, which, however, did not yield the anticipated revenue. Bruening assured Mr. MacDonald, nonetheless, that his Government would strive to carry on. The German Chancellor pointed out that taxes were eating up the capital essential for German industry. Much of this capital had been provided in the past by the United States, but this had now ceased. Bruening de-

[10] Telegram in three sections.
[11] Not printed.
[12] *Post*, p. 611.

clared that it would be of the utmost assistance to Germany at this juncture to have fresh capital from France or the United States.

Bruening said that as regards reparations not only German but world economic conditions had entirely changed since the Young Plan was accepted 14 months ago. The Prime Minister interrupted the Germans at this point to explain that England could discuss the question of reparations payments only after consultation with the United States and France. England, the Prime Minister explained, was but a channel in that the amount of reparations received was paid out to America to satisfy the British debt to the United States. Mr. MacDonald then said that he took special pains to explain that England, at this time, would be entirely unwilling to broach any question of reparation debts to the United States. Any such step might, Mr. MacDonald explained, embarrass the President in a pre-election year. This point, the Prime Minister explained, he gave as his personal point of view. He also thought that the American Secretary of State, although he was coming to Europe this summer, was far more concerned in the European disarmament question than reparation debts. Mr. MacDonald, at this point, also reminded the Germans that the Young Plan [13] had anticipated such a crisis as the present one by permitting Germany on her own initiative to request a moratorium. Adverse consequences in Germany had resulted, Bruening stated, from the collapse of Austrian finance. Bruening believed, however, that Germany could, in spite of many unfavorable factors, carry on at least until November before requesting such a moratorium. In Bruening's opinion November was for many reasons a critical month. He mentioned specifically that the possible withdrawal of short-term loans in Germany might precipitate a crisis. The Prime Minister said he could not attempt to remember the figures, but that the amount of these short-term loans was surprising.

Mr. MacDonald then asked about the Reich's foreign policy between now and November. The Germans intended, according to Curtius, to be represented at Geneva at the forthcoming meetings on the economic committee of the Briand plan. This might afford an opportunity for Germany to seek alleviation from its economic plight. It was pointed out by Curtius that the procedure on the Austro-German Customs Union question had been satisfactorily settled and that the Prime Minister might be assured that Germany had no surprise card to spring between now and November.

The German presentation of their case, Mr. MacDonald said, was made in a most friendly and sociable manner. No suggestion or plan was advanced to which the British were asked to adhere. The

[13] See Great Britain, Cmd. 3343 (1929): *Report of the Committee of Experts on Reparations.*

official communiqué set forth such general conclusions as were reached. See my No. 174 of June 7, 8 p. m.[14]

Curtius' discussion of the political situation in Germany emphasized the consequences which a collapse of the Bruening Government would have in the rest of Europe. Either the Communists or the Hitlerites might come into power after a change of government, which might be brought about by higher taxes and unemployment together with decreasing relief measures. Repudiation was advocated by the Communists and while the followers of Hitler, being inexperienced in office, might not advocate extreme measures, they might arouse such dissatisfaction as to disrupt the Reich and pave the way for the Communists. . . .

Mr. MacDonald added that the European situation was moving in a dangerous direction. I asked him whether he feared a war. He replied, "No, revolution." He continued that there would be no revolution in England as the British Government was caring for the unemployed. Hence they would not alter the system of unemployment insurance, despite its defects, because it was saving the United Kingdom. Germany was not in a position to follow the same policy. Mr. MacDonald then said that an equal danger to Europe was French domination. He asserted that nationalistic considerations dominated French finance and French policy, that the French loans to Czechoslovakia, Rumania, Poland, and Yugoslavia were based on French aggrandizement, and that it was idle to expect an international character from French banking or diplomacy.

Mr. MacDonald added that the Germans were entirely satisfied with the final text of the official communiqué of the Chequers conversations, despite the very great difficulty of drafting any statement.

In conclusion, Mr. MacDonald observed that, personally speaking, he would study the advisability of lending gold to Germany if he were in control of the American and French gold reserves. Mr. Montagu Norman,[15] however, who had visited Chequers this morning, had told him that despite the present crisis in Germany matters were not so desperate as the German Chancellor believed. Mr. Norman said that in spite of similar warnings to the world that Germany could not weather a severe economic crisis, he had seen Germany go through three severe crises in recent times and that he felt Germany would come through all right this time as well.

Mr. MacDonald is preparing a personal communication to Secretary Stimson. He hopes to give it to me for cable transmission early next week.

ATHERTON

[14] Not printed.
[15] Governor of the Bank of England.

462.00R296/3956 : Telegram

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

BERLIN, June 8, 1931—9 a. m.
[Received 9 : 10 a. m.]

70. [Paraphrase.] Reference is to your No. 68 of June 6, 3 p. m.[16] A favorable response seems to be the first reaction here to the manifesto. Please see my No. 68 of June 3, 4 p. m., paragraph 1, for a statement on the ultimate effect of the decree, which the manifesto supplements. [End paraphrase.]

Text of manifesto in translation follows:

"Text of the Reich Government's appeal with which the new emergency decree was made public today reads as follows:

The expectation that the economic crisis of the world would abate with the spring of 1931 and that as a consequence the distress and unemployment in all industrial countries, and even more in raw material producing and agrarian countries, would decrease, has proved illusory. Germany shares in the world's exchange of merchandise to the amount of 23 billion marks annually. She cannot escape alone from the universal distress from which even those countries are suffering which were victorious in the World War.

Our anxieties and difficulties are aggravated because in addition to the universal crisis in which we are living we are bearing special burdens, in that we, as the defeated in the Great War, have to make payments. These obligations were assumed on conditions which have not materialized and are depriving our economic life, impoverished by the War and by inflation, of capital which it sorely requires for its maintenance and further development. Withdrawal of capital means cessation and limitation of manufacturing activities, unemployment, reduction of private income and last, but not least, of State revenues. Over and beyond this our buying capacity on the world market is ready [*reduced*] by the amount we pay in tribute without receiving an equivalent.

The tribute payments weaken us as buyers and force us to throttle imports. They compel us to increase exports, against which other countries are ever increasing their opposition. The result is an ever sharper battle for world markets.

The Reich Government is obliged to impose upon the German peoples the greater burdens and sacrifices in order to be able to maintain the Reich's capacity of payment. This is the condition for the continuation of German economic life; upon this depends the existence of millions and millions of war veterans, social pensioners, officials and employees.

We are often accused abroad and at home of not having been sufficiently economical. This accusation is at any rate not true with regard to Germany at the present time. All along the line the greatest efforts have been made to reduce expenditures to the lowest possible degree. After the new emergency decree goes into effect the expenditures of the Reich, including the reductions of last year, will be lower

[16] Not printed.

by the huge amount of 1.5 billions. As far as it is possible under present conditions to make any predictions at all the budget of the Reich for the current year will thereby be stabilized. It is the firm intention of the Reich Government that this emergency decree shall be the last step towards this goal.

In view of the possibility that the crisis may continue, despondency and indignation must not be permitted to weaken our strength. It is the statesmanlike duty of the Government now to provide for surmounting future difficulties. The intelligent will realize that this cannot be done without hardships which affect all portions of the population. It is better, although it may be painful, to reduce payments in an orderly way and to demand contributions from those who still have an income, than to conjure up the danger that these payments on which depends the standard of living of wide sections of the people should some day no longer be able to be met.

The states and municipalities are in a position similar to that of the Reich. They too have considerably restricted their expenditures and will have to do so even further. The Government cherishes no illusions as to the severity of the sacrifices to be made by all sections of the population, but the maintenance of the balance of the public budgets and protection of our economic life in view of its difficult position and the severe competition on the world market justify the measures which have been adopted.

We have [made] every exertion in order to meet our obligations arising from the last war. We have also made extensive use of foreign assistance towards this end. That is no longer possible. The drafting of the last forces and reserves of all sections of the populations gives the German Government the right—and makes it a duty towards its own people—to pronounce to the world: the limit of the privations which we can impose on our people has been reached. The premises on which the Young Plan was based have proved to be erroneous as a result of the development undergone by the world. The Young Plan has failed to give the German people the relief which according to the intentions of all concerned it was meant to give and of which it at first held out promise. The Government realizes that the extremely precarious economic and financial situation of the Reich imperiously requires Germany's relief from unbearable reparation obligations. This is also a premise for the economic recuperation of the world.

The German people is in the midst of a decisive struggle for its future. A Government conscious of its responsibility must warn against the false belief that a favorable result can be achieved without sacrifices. If the German people believes in its future it must be determined to stake everything on it. Often in their history the Germans have failed to understand that in a critical situation not the strife of parties but the will of the entire people for self-assertion is the decisive factor. Such an hour has come. The Government cannot believe that the new generation has become so small and the elder so weak that they should not together be able to prove as in former crises—the greatness and the idealism of the German national char-

acter in the peaceable fight for our regeneration. Relying on the German people's vital force and will to live the Government will act. Berlin, June 5th, 1931. The German Government."

GORDON

462.00R296/3958 : Telegram

The Chargé in Great Britain (Atherton) to the Secretary of State

LONDON, June 8, 1931—midnight.
[Received June 9—8 : 55 a. m.[18]]

177. Had short talk with Prime Minister at German Embassy. Following is text of his personal letter to you (see last paragraph of my 175, June 8, 2 a. m.), original of which goes forward by Embassy pouch June 10th on Steamship *Majestic*.

"JUNE 8.

MY DEAR MR. STIMSON: I am venturing not only in our common interests but for even larger interests than they to break through official red tape and to write you this letter about the Chequers conversations as from one interested friend to another. Mr. Atherton will see the Foreign Office and will report officially but I feel that it would be a great help to you if you were put in possession of an unvarnished and simple statement of what happened.

As you know the invitation was given by me some months ago and was really part of the thoughts which were disturbing my mind when I wrote you that letter about international cooperation in world problems.[19] German Ministers have not been received socially and on a purely friendly visit since the war and as I had got them to shake hands with the French for the first time when they came here in 1924 so I was anxious to show the world that personally as well as officially they were sharing in our common life. In addition to that they hold a sort of economic advance post and I feel that if they have to surrender to the forces of revolution either of the Left or to Right the state of Europe is full of very ominous prospects. Nevertheless I had no program of discussions in mind and neither of us were prepared to discuss any specific questions or to come to any specific agreement. It was purely a friendly meeting of men facing very big problems explaining to each other what they considered to be the nature of the problems and the circumstances under which they had to face them. It is quite true that I hoped that from but not at such a meeting both sides might be able to devise policy and helpful methods of handling the situation each in their own field.

You must, therefore, discount absolutely all the stuff that the newspapers have written conveying a different impression holding out expectations for agreements and so on. These reports have not only given us great embarrassment at Chequers but have tended to create a European situation which may bring the German Government down.

I give you a further assurance: The decree and accompanying political statement which appeared in Berlin on Friday–Saturday were quite unknown to us. Some of the phases [*phrases?*] were awkward and we told the German Ministers that we took that view. They explained to us that they are not

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[18] Telegram in three sections.

[19] See telegram No. 49, February 20, from the Ambassador in Great Britain, p. 609.

always able to consider the susceptibilities of other people because they have to hold their position in Germany as a first obligation and that in order to do so they are compelled on occasions to sacrifice some of their credit in the belief that when both sides of the ledger are balanced the advantage on the whole is with the Government.

The Germans explained to us their position. Politically they are not very strong although they are not anticipating an immediate change unless economic and financial things suddenly turn against them. The Hitlerites, however, are still increasing, so are the Communists. The middle parties are being somewhat crushed between an upper and a nether millstone. There is a hesitation on the part of the majority of the German people to give real confidence to the Hitlerites because they are committed to a very unsettling policy and also because none of them have had any experience in handling first class political affairs. The Communist movement is one of despair. The German Ministers thought that they could, therefore, hold on, but that if they could not, Germany with all its obligations would have to go into the melting pot. If this happens, I agree with them that the revolution and crisis can hardly be confined within German frontiers.

Economically the position is as follows:

(*a*) Germany is suffering from a lack of capital which is preventing any return to prosperity and, of course, increasing unemployment;

(*b*) To provide the Reich and municipalities with necessary capital, they have to sell their public undertakings like gas, electricity and water. This is a most deplorable thing and later on will cause very serious political trouble;

(*c*) The extra taxes and the reductions in salaries which they have imposed, have now even reached the absolute limit. The law of diminishing returns has begun to operate. They gave us information about this which, assuming its accuracy, showed quite conclusively that that was so. They therefore have no chance of balancing their budget by further savings on the economies side or further imposts on the revenue side;

(*d*) The root cause of their trouble they consider to be the payment of reparations. We pointed out apart from that, which was no doubt a very upsetting factor in their economy, they had to take into account the general world economic situation.

As regards a policy to meet this they told us;

(*a*) They were contemplating no action except what was laid down in the Young Plan;

(*b*) They said they could not see how they could avoid asking for a moratorium at a date which they placed in November;

(*c*) They were very disturbed about the danger of a withdrawal of American short-term credits, but could see no way of avoiding it on their own initiative and action. They wondered if anything could be done about it, but of course we made it clear to them that we could hold out no hope of assistance from us. I do not know if you can do anything;

(*d*) We suggested to them that if they could do something in cooperation with the other nations at Geneva now considering the Briand proposal, to improve the general volume of European trade by considering whether their tariffs were scientifically designed to increase mutual trade, that might ease the situation without damaging their credit, by setting improving influences in operation;

(*e*) In reply to a question put by us, they gave us an assurance that so far as they could see, they would not require [*be required*] to take any step between now and November which would create a crisis and upset equanimity like the

German-Austrian customs union proposal, and that [the] edict of Friday [and] Saturday would not have to be repeated—indeed, they said, could not be repeated.

Indeed I ought to say generally that I found Doctor Bruening really very enlightening on these economic problems and I am expecting that something, even if it is very small, may be done which will continue to grow in influence should conditions improve.

They asked us to make some sort of declaration which would indicate our willingness to assist. We were perfectly willing to give them such an assurance by word of mouth because we could warn them that, whilst the spirit was not only willing but anxiously willing, the opportunities of effective assistance were very few and not very good but we pointed out to them that if we made such a statement on paper which was to be published full expectations would be raised which in the end would bring a very serious reaction and they agreed eventually that that was so.

I ought further to report to you that of course the United States was frequently mentioned and in connection with that I took the liberty which however bold and maybe improper it was I know that both you and the President will pardon because (*a*) it was purely an expression of personal opinion and (*b*) it was done with the hope that it would help us all. I pointed out your political situation for the next 18 months. I said that from my knowledge of both the President and yourself you were fully aware of the situation and would help to ease it if circumstances, political and other, would allow you to do so. We opposed the wording of a draft which would have been taken to have involved an appeal to you for reasons which you will readily understand. I remarked that there was an American Ambassador in Berlin through whom any approach that the German Government felt it had to make to you ought to be made. They are, however, looking forward to your visit next month [20] when they will be happy and willing to put you in possession of the fullest facts. If I might be so bold as to make a suggestion to you I think you will find it advisable to emphasize—not in a way which would indicate that you are apprehensive of misunderstanding but just as a matter of definite information to everyone who is concerned—that your object in going to the European capitals is your interest in disarmament. If you give any sort of expectation that you are coming prepared to discuss economic and financial things I think you will get badly involved in our troubles and there will [not?] be one country on the Continent which will [not?] get into a state of fuss and suspicion. You will pardon me I know in venturing to go thus far with you.

I think that is about all I need say. If you would like information on any specific point unofficially Mr. Atherton always knows how to get it from me and I shall be only too glad to give it to the best of my ability. The official communiqué, which you will have in your hands already, read with this, will I think enable you to see pretty accurately what happened. I will only add that I took Dr. Bruening aside just as they were leaving and expressed a hope that what had happened had been helpful to him and gave him some pleasure. He assured me most cordially that that was so and he left in I think a fairly happy frame of mind. These men are facing a very awful situation and anything which any of us can do to help them discreetly really ought to be done. Of course in these international arrangements one has to be exceedingly careful. I still feel that with all its difficulties the great governments of the world will have to face the general economic situation.

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[20] See pp. 536 ff.

Again craving your forgiveness if I have overstepped official traditions and asking you to believe that it is only the very exceptional state of things at the moment which would make me even think of such a transgression, may I finally express a hope that this will not in any way be passed into your departments.

Yours very sincerely, J. RAMSAY MACDONALD.

The Honorable H. L. STIMSON".

ATHERTON

462.00R296/3978

Memorandum by the Secretary of State of a Conversation With the French Ambassador (Claudel)

[WASHINGTON,] June 11, 1931.

The French Ambassador came to present the new French Financial Attaché, M. Emmanuel Monick. We talked over the financial situation of Germany. M. Monick said he thought that it was a question of credits, and that the difficulty came from Germany having so many short term credits. He said that until recently he thought Germany was going to pull through without asking for a moratorium, but that since this manifesto on Saturday he had come to the conclusion that she was going to ask for a moratorium and he thought it would come within a month; that he had said the same thing previously to Ogden Mills [22] this morning, and I had heard from Ogden Mills before he came here, so I was able to check up. I told him a little of what our diagnosis of the situation was and he said he was very much interested to hear that ours was so similar to his. I told him, however, that I did not think the crisis would come quite as quickly as he thought; that in my opinion it would be more likely to come next fall.

The Ambassador said that there was this encouraging feature about the situation—that it had been discounted, whereas the crisis last autumn of the election came as a surprise, and therefore he did not think it would be as bad or as violent as that crisis. Both he and the Attaché said they thought the Germans had guarded against it as far as possible.

The Ambassador said that at the Chequers Conference he thought that the British had behaved very well and protected the rest of us. They discussed somewhat whether the German action would be by way of moratorium or by way of calling a conference of the advisers, as they had a right to do. M. Monick thought that it would be by the latter method as it would permit a wider investigation.

H[ENRY] L. S[TIMSON]

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[22] Under Secretary of the Treasury.

462.00R296/3979

Memorandum by the Under Secretary of State (Castle) of a Conversation With the British Ambassador (Lindsay)

[WASHINGTON,] June 12, 1931.

The British Ambassador called with notes he had made on the communication from his Government about the conversations at Chequers. These conversations he summarized as follows:

They were frank talks and did not pretend to be anything more than this and, like all conversations, were inconclusive. The people present were, as we already know, the Prime Minister and Mr. Henderson, Drs. Bruening and Curtius. There were called in for part of the conversations the Governor of the Bank of England, the German Ambassador and Mr. Leith Ross of the Treasury. The Germans made the statement that, as to taxation and a cutting of expenditures, they had gone to the limit, any further steps along these lines they believed would imperil the structure of society and open the way to an attack on the Government which might be successful on the part of the Hitlerites or the communists or both. They said that if the last election, for example, had happened to come in December, instead of September, it would have been impossible to get a majority to support the present government; they stated that whatever they might do in the way of asking for a moratorium would be done within the terms of the Young Plan and that that entailed notice of three months; they said that the limit of their endurance under the present circumstances would be next November, but the Ambassador was not sure whether this meant that the notice for relief under the Young Plan would have to be made in November or three months before November. The British answered that they fully realized the truth of all that the Germans had said to them, but pointed out with vigor that the difficulties were not purely German, but were instead world wide. This being the case, they felt that discussions between two governments only would be inconclusive and that rather it was necessary to have a world wide discussion of the whole situation. In the meantime they advised the Germans to use, as far as possible, the subcommittees appointed by the League of Nations in connection with the study of a European union. The Germans said that this would appear to them futile, that it was better to use as far as possible the good offices of the Bank of International Settlement. The British admitted that the committees studying the European union could not deal with reparations, but that the moment had not come to revise the Young Plan; they pointed out that at present only preparatory work was possible as great preparatory work had been done prior to the installation of

the Dawes Plan;[23] they felt that these various League committees could well undertake the exploration necessary to give sufficient knowledge for some general conference later to work on; they told the Germans that they believed the United States was not yet ready to plan any action for the revision of the debt settlement and probably would not be ready to take this up during the next two years; they pointed out, in this connection, that the Germans must not make the mistake of feeling that the Secretary's European visit was for the purpose of exploring some method by which the United States could revise the debt settlement. In the meantime they urged the Germans that it was essential to preserve German credit; they told the Germans further that the greatest immediate danger was, in their opinion, in Vienna, largely in connection with the unfortunate condition, due apparently to speculation, of the Credit Anstalt; they felt that a collapse in Vienna might easily spread disaster through eastern Europe and even through Germany, although, in connection with this, they pointed out vigorously the great recuperative powers of Germany. They asked whether the Germans had discussed these matters with the French. The Germans answered, confidentially, that Briand had proposed a meeting early in May for exactly this purpose; that this meeting had later been cancelled, but the Germans were convinced that the cancellation was the result of the Presidential election and that they saw no ulterior motives connected therewith.

The Ambassador said further that the telegram from here, stating that the German manifesto had caused much anxiety in the United States had been communicated to the Germans and that at least they had got the promise from them that no more manifestos were in contemplation.

W. R. CASTLE, JR.

462.00R296/3981 : Telegram

The Chargé in Great Britain (Atherton) to the Secretary of State

[Paraphrase]

LONDON, June 15, 1931—4 p. m.
[Received June 15—2:40 p. m.]

187. Vansittart[24] sent for me this morning in connection with your conversation on Saturday evening (June 13) with the Prime Minister.[25] He said that MacDonald had learned with satisfaction that the United

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[23] See Great Britain, Cmd. 2105 (1924): *Reports of the Expert Committees Appointed by the Reparation Commission.*

[24] Sir Robert Vansittart, British Permanent Under Secretary of State for Foreign Affairs.

[25] No record of conversation found in Department files.

States was prepared to make any necessary approach to the Government of France, since he felt that if that were the case a more immediate response was probable on the part of France than if the British Government initiated the discussion in Paris.

The Prime Minister desired, in this connection, that you should know that yesterday a telegram was received at the Foreign Office from the British Ambassador in Paris[26] stating that the French Government was most apprehensive over the German situation and desirous that the viewpoint of the British Government be ascertained by Tyrrell and the Quai d'Orsay advised thereof. In reply a telegram will go forward this afternoon in which the German situation as presented by Bruening last week at the Chequers Conference, will be analyzed. The telegram will indicate that since then the situation has become steadily worse and is now so serious that the present crisis may overwhelm Germany and Austria with grave repercussions in Europe unless immediate steps are taken to alleviate the situation. The telegram from the Foreign Office will point out that no adequate measures of assistance are possible by the British Government and that upon France and the United States rests the initiation of relief. A memorandum was then read to me by Vansittart. It contained points for your consideration in any discussions with the French concerning relief to Germany. These points are as follows:

If the arrangement is to be of any value, it must be applied to all payments under the Young Plan and the agreements annexed to the Plan (not the Versailles Treaty), but not including the service of the Young loan (which is a commercial debt and Germany's credit would be broken by its suspension). When the United States makes its *démarche* in Paris, the French will probably exhibit a very strong tendency to bargain for a continuation of the unconditional annuities. It will be fatal to the success of the proposal, however, to admit a concession on this point because:

(1) If the French are to continue to receive unconditional annuities, the Belgians will want their payments for the marks issued in Belgium during the War and then public opinion might compel Italy and the United Kingdom to claim their shares.

(2) Germany will be compelled, therefore, to continue such large payments that the relief to German economy will not be adequate to preserve confidence.

(3) A precedent will be established for suspending the war debts while insisting on the payment of reparations.

A second memorandum was also read to me by Vansittart. This memorandum which the Prime Minister desired you to have knowledge of, stated that yesterday Montagu Norman of the Bank of

[26] William George Tyrrell.

England had telephoned to the Federal Reserve Board that, in his opinion, the German situation was so acute that a week's delay before making relief measures effective was too long and that it was only a matter of days for Austria.

The above statement by Norman, I venture to point out, differs from his opinion as quoted to me by MacDonald and as reported in my 175, June 8, 2 a. m. The press here is giving considerable prominence to a Reuter despatch of yesterday's date quoting the State Department to the effect that should the debt situation become acute, consideration by the United States of whether it would be advisable to change temporarily her clearly stated debt policy would become necessary.

ATHERTON

462.00R296/3981 : Telegram

The Secretary of State to the Chargé in Great Britain (Atherton)

[Paraphrase]

WASHINGTON, June 15, 1931—11 p. m.

166. Reference is made to your telegram No. 187 of June 15, 4 p. m. If Mr. MacDonald gained impression that this Government had yet reached any decision to take any step whatever in this matter, I should gravely regret it. I cautioned him that I did not desire any approach to the French on our behalf; that we were following this crisis with the keenest anxiety; and that we were considering various alternatives and the possible effectiveness of each, but that no decision could be reached for at least a week owing to the President's absence.[27] I said that under these circumstances whatever decision we made would be entirely independent of Europe. Our telephonic connection on Saturday evening was so imperfect that it makes it important that there should be no misunderstanding. It is felt by the President that this is primarily a European crisis in which the responsibility of the Continent should be further developed. The crisis in Austria appears so imminent as to permit no governmental action whatever. It would seem to depend solely upon whether the various banks can furnish the necessary support to the banking crisis in Austria. I agree fully with your suggestion that if any arrangement is eventually made for the suspension of governmental payments it must, in order to be effective, apply to all payments, and if there is to be, as you suggest, a strong French tendency to bargain for the continuance of the un-

[27] President Hoover had gone to Indianapolis to deliver a speech at a meeting of Republican editors; he returned to Washington on June 18.

conditional annuities it would seem to lead toward the conclusion that the situation may not be damaged by a delay which will bring the French Government face to face with its interest and responsibility in the initiation of relief.

Thus far our efforts here to sound out public opinion have only made it more evident that before American public opinion could be led to support relief measures in the shape of suspension of payments the desperateness of the situation in Europe must be shown by some action of the Continental nations themselves to be more real than has yet been indicated by their present attitude.

There is no basis for the Reuter despatch mentioned by you.

The foregoing views should be immediately conveyed to the Prime Minister.

STIMSON

462.00R296/3983a : Telegram

The Secretary of State to the Chargé in Great Britain (Atherton)

[Paraphrase]

WASHINGTON, June 15, 1931—7 p. m.

165. Some time tomorrow the Secretary of the Treasury should reach London. He is arriving on the *Mauretania*. It will be possible to reach Mr. Mellon at Claridges Hotel or through the Guaranty Trust Company, Pall Mall Branch, in London. Without fail please make sure that the following confidential message from the Treasury Department reaches him tomorrow. You may find it advisable to get in touch with him on the *Mauretania* when it docks, in order to make sure of his address. You had better have him met at the *Mauretania* with a copy of this message if you have time.

The situation in Austria and Germany, from all the information we have, appears to be more critical than when you left. The situation is, however, still obscure. Your appraisal of the situation as it appears in London will be appreciated by the President. He will also appreciate your advice as to whether the time has come in your judgment to proceed along the lines we discussed. In spite of the inadequacy of our information, Young,[28] Gilbert,[29] and Harrison feel that we should. It has been decided by the President to postpone any action until he has had an opportunity to consult opposition leaders and until he hears from you. Harrison has been in constant communication with Norman, who is extremely pessimistic. On Sunday McGarrah [30] cabled that his information from Berlin

[28] Owen D. Young, Chairman of the Committee of Experts on Reparations, 1929.

[29] S. Parker Gilbert, Agent General for Reparation Payments, 1924–30.

[30] Gates McGarrah, President of the Bank for International Settlements.

indicated that the Reichsbank had the situation well in hand and that the situation is not critical. For your confidential information Stimson talked to MacDonald by phone and asked whether we could do anything to help and how serious the situation was. MacDonald was not, I understand, very definite on either point. It would be well perhaps for you to see MacDonald. Of course you will see Norman. The President returns to Washington Thursday from his trip out West. Mills.

STIMSON

462.00R296/3983b : Telegram

The Secretary of State to the Ambassador in France (Edge)

[Paraphrase]

WASHINGTON, June 15, 1931—11 p. m.

250. The Department has been following the increasing withdrawal of gold from Germany and the banking crisis in Austria closely and with anxiety. Many false rumors have appeared and much speculation has taken place about a change in the debt policy of this Government. A total postponement of all intergovernmental debts, claims, and payments for one or more years is one of the suggestions made to us by bankers. Although in case any action were possible by this Government this plan would seem to be the least objectionable, we believe that this plan would not receive the support of public opinion here unless it could be clearly shown that it was urgent and would be effective. One of the elements of such proof would be the willingness of the European nations, France in particular, to take similar action. There is not the slightest chance of acceptance here of any proposal for the American people to give up their debt payments to be turned over to Germany in the form of a forgiveness of reparations while the European nations continued to receive their margin of either conditional or unconditional payments from Germany. Although we are glad to note from the reports in the press certain evidence that France is critically interested in this situation it would be a serious mistake for France to get the notion that we might come forward with a proposition such as outlined above if she held back.

In case you are questioned by Mr. Briand or other members of the French Government I want you to be prepared to make clear the situation as it exists here. However, I do not want you to initiate any discussions.

STIMSON

462.00R296/4008½

Memorandum by the Secretary of State

[WASHINGTON,] June 16, 1931.

Mr. Mills called on me today and I told him what had happened since I had seen him—particularly the events of yesterday and the cable from London from the Prime Minister, No. 187, and my reply and my message to London.

Mr. Mills told me of the two good points of today's news—first, that Norman had himself advanced one hundred, fifty million schillings to Austria, and second, that the Steering Committee (Germany) had voted not to convene the Reichstag.

We discussed the possible methods of eventually bringing the matter up. I told him that I no longer thought there was any weight in the proposition of the bankers; that the initiative must come from the creditors end and not from Germany. I said I no longer thought that any announcement by Germany could affect her credit now, except possibly to do it good. He said he did not think Germany could stand on acting under the Young Plan alone, but must go further. He said he had had a suggestion from Eugene Meyer that the move should come in the shape of an appeal from Hindenburg to the President. I pointed out the difficulty of confining it to the President and the danger of its letting France and the others out—also of tying up our debt claims directly with Germany's payments. He agreed that those were important. My point was that while there may be credit in having Hindenburg the source of the suggestion, it must not be confined to us but should go also to the other nations.

Mr. Mills said he thought that once the President has sounded out his opposition and straightened matters there, the next step would be to sound out France and see whether if we should make a suggestion, she would go along to the full extent of the German payments; that if she would not, we should say at once that we were not interested and not discuss the matter in any conference whatever. This last was in answer to my objection to conferences.

H[ENRY] L. S[TIMSON]

462.00R296/4101

The British Ambassador (Lindsay) to the Secretary of State

WASHINGTON, June 16, 1931.

MY DEAR MR. SECRETARY: Since I saw you this morning I have received from Mr. Arthur Henderson the text of a telegram concern-

ing the German situation, which he sent yesterday to the British Ambassador in Paris. Having been authorized to communicate a copy of this telegram to you, I enclose one herewith.

Believe me [etc.] R. C. LINDSAY

[Enclosure] [81]

AIDE-MÉMOIRE

There is no doubt that the situation in Germany is exceedingly critical. It is in fact more critical than at any time during the last six years. During the past few days and in part at least for psychological reasons the situation has rapidly deteriorated and has now become gravely alarming. The Reichsbank has lost over £30,000,000 during the past ten days mainly due to withdrawals of foreign money. If the movement extends to German capital it may involve collapse of the mark with disastrous consequences not only to Germany but to Austria and to Hungary. As you know the Reichsbank on Saturday raised its discount rate by 2 per cent and it is hoped that this may have a steadying effect. But as the movement is due to political rather than financial causes the increase of bank rate may be ineffective. Political difficulties of Bruening cabinet or any delay in settling bank trouble may in any case be sufficient to neutralize the effect of the increased bank rate. On the other hand, if as of course we hope, the Bruening Government can survive their present political difficulties, and the Austrian trouble is cleared up, an easing of the financial situation may be hoped for. We are aware that there has been improvement in the situation today, but financial circles here still feel the deepest apprehensions. The key to the situation seems to rest with the United States and France. We should of course be prepared to join in any action that might be deemed salutary but it would seem best for the first move for joint action to come from those chiefly interested, and it is no use disguising our fear that if confidence is not speedily restored we may be faced not merely with a complete cessation of reparation payments but with financial collapse in Germany and Austria involving serious risk of political and social trouble in those countries and consequent repercussions on the rest of Europe.

We hope the situation is fully realized by French Government.

WASHINGTON, June 16, 1931.

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[81] Filed separately under 462.00R296/4010½.

863.51/969 : Telegram

The Chargé in Great Britain (Atherton) to the Secretary of State

[Paraphrase]

LONDON, June 17, 1931—9 p. m.
[Received June 17—7 : 32 p. m.]

191. This afternoon Mr. Mellon and I called on the Prime Minister and Mr. Henderson, the Secretary of State for Foreign Affairs. Mr. MacDonald said that the independent action taken yesterday by the Bank of England had staved off a complete collapse of Austrian economic life. The Bank of England granted a temporary loan of four and a half million pounds sterling for a limited number of days. The British Minister in Austria had informed London that the French banks, presumably acting under the orders of the French Government, had refused financial aid to Austria except on two conditions, the first of which was to receive immediate publicity. These conditions were:

(1). Austria would consent to submit her whole financial condition to examination by the League of Nations. She would agree to accept whatever proposals were made by the League Council.

(2). (The following condition was to be made public at the discretion of the French Government and at any time that it might choose.) In a carefully worded agreement, which did not name Germany specifically, Austria agreed to refrain from entering into any bilateral arrangement in the nature of the projected Austro-German Customs Union.

. . . Henderson pointed out that no Austrian Government could agree to these terms and expect to remain in office for a moment after they became public.

It was implied that a telegram from the British Foreign Office to the British Minister in Vienna clearly indicated the British opinion of the French attitude and that the Quai d'Orsay has received the information through the British Ambassador in France.

Near the conclusion of our conversation a telegram was handed to Henderson. It stated that the exchange situation in Vienna had somewhat improved as a result of public knowledge of the loan from the Bank of England. Withdrawals today were only three-quarters of a million as compared, according to my information, with seven million on Monday. The telegram also added that chances now seem brighter for the formation of a responsible Austrian Government. Mr. Mellon will see Montagu Norman tomorrow, as he is out of town until tonight. Tomorrow afternoon Mr. Mellon has an appointment with the Prime Minister.

Mr. Mellon asks that Mr. Mills be given such of the information in this telegram as may be of interest to him.

Mr. MacDonald said he had no comment on the German situation.

ATHERTON

863.51/972 : Telegram

The Chargé in Great Britain (Atherton) to the Secretary of State

[Paraphrase]

LONDON, June 18, 1931—9 p. m.
[Received 10:55 p. m.]

196. For the President, the Secretary of State, and Mr. Mills. From Mellon. I am sending this to you in furtherance of my telephone conversation with Mr. Mills Tuesday evening and in response to a telegram signed by Mr. Mills sent through the State Department on Tuesday, June 15.[83]

I had a conversation yesterday with Mr. Henderson and the Prime Minister. I asked Mr. Atherton to transmit to the Secretary of State, for the information of Mr. Mills as well, the substance of this conversation. Governor Norman, with whom I went over the entire situation this morning, takes an extremely pessimistic view of the Austrian, German, and European situation. He is convinced that there would have been a complete collapse in the Austrian situation without his action in furnishing about four and a half million pounds sterling. The Bank was, he said, really without authority to advance these funds but he had taken this action with the approval of his Government because the collapse was so imminent. As to the position of the Reichsbank and conditions in Germany he is extremely apprehensive. The Prime Minister and Mr. Henderson were today very outspoken in their criticism concerning the terms of the French note to Austria in making Austria's abandonment of its pact with Germany on the Austro-German Customs Union a condition. The action of the French in taking advantage of the financial exigency of Austria in an endeavor to have a scheme for an Austro-German Customs Union abandoned was characterizzed by MacDonald and Henderson as "blackmail". A debacle in Austria or as to the Reichsbank would, the British fear, lead to csaos economically and politically not only in those countries but spreading to Rumania, Hungary, and other Eastern European countries as well. I am convinced, while making allowance for the extremely pessimistic attitude of the authorities here, that the situation is very grave and has possibilities of serious consequences. Of course they are all very anxious that, in order to avert

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[83] See telegram No. 165, p. 19.

possible further untoward developments, something should be done on our part. While they hope that some action can be taken which would be helpful they understand the limitations of authority in our administration. The attitude of France is the unknown factor in the situation. I had a talk with M. Lacour-Gayet, now of the Bank of France, who came over at my instance. On account of our intimate personal acquaintance and because I wished if possible to get some background on the French situation, I felt free to ask him to come. I did not gain much information of importance from him, although he talked very freely to me. The action of the Government, he said, concerning the terms upon which the French would come to the financial assistance of Austria was taken in full discussion in the Cabinet. The action was unanimous. The authorities of his Government, he thinks, are inclined to resist any movement on the part of Germany to obtain relief and have lost confidence in Germany's intentions regarding payments under the Young Plan. This is, however, only the personal opinion of Lacour-Gayet. I am convinced, upon the whole, that the conditions in the German situation are such that the German Government will be obliged to ask for relief under the arrangement of the Young Plan. It was stated to me by Mr. Henderson that France and Italy had already been advised, or, as he expressed it, warned by Germany that such action must be taken. There is danger that the Reichsbank's precarious situation may precipitate such an action, which would result in serious political trouble to the German Government.

My personal judgment, in view of this situation, is that the President would be justified in initiating some proposal under our war debt agreements, toward a postponement of payments. The French, without payment from Germany, will undoubtedly refuse to continue payments under their agreement, and other countries will, it is most likely, follow that course so that in any event it seems most likely payments to us will cease for a time. Any proposal for postponement should, in my opinion, contemplate at least 2 years and that accumulations in that period should be put over to the end of the final payments. I should think it would be desirable to go to that extent to be of substantial assistance and to have the desired effect. I am at a loss to know, in view of the existing lack of authority of the administration, whether it is possible to take action to the extent suggested. However, I am making the suggestion that to be adequate something to this extent should be considered. I consider that it will be essential that the French should first be sounded out to ascertain their attitude and responsiveness whatever proposal is contemplated in Washington. There is danger that they may not be in a frame of mind to cooperate.

Mr. Henderson expects to have a conversation with Briand and the Prime Minister about July 15, when he is to be in Paris. I think Mr. Henderson is to be in Germany about the 19th but so as to leave a clear field for Mr. Stimson, Henderson's visit will be before Mr. Stimson arrives. The gravity of the situation is such that any proposal on our part would have a very beneficial effect at this time, so if some action is to be taken by the President I think the sooner it can be done the better. However, I am inclined to think that there is no immediate danger in the situation demanding action earlier than Mr. Stimson's visit, to which all are looking forward with the hope that it will result in some measure of relief on our part. If there were great danger in the situation, I would say that action should be taken as soon as possible. In any event, the necessity is clear for whatever relief can be proposed on our part.

The Prime Minister has, since I dictated the above, sent me a message through Mr. Atherton that, in his personal opinion, due to the action on Tuesday of the Bank of England the French hand has been forced and French bankers have agreed to participate in the Austrian credit to the amount of some 65,000,000 schillings, the Prime Minister understands. [Mellon.]

ATHERTON

462.00R296/4024

Memorandum by the Secretary of State of a Conversation With the French Ambassador (Claudel)

[WASHINGTON,] June 18, 1931.

The French Ambassador called and we had an important talk. He began with the question of the financial crisis in Germany and asked whether anything could be done. While he did not suggest that he was speaking by instruction I thought it offered an opportunity to get across to him our attitude as to the position of the French Government in this matter. Claudel has shown himself to be an accurate and helpful reporter of our conversations in the past, and so I decided to take a chance here.

In the first place I told him I had been discouraged, much discouraged, by what I had heard of the action of France in regard to Austria. I said I had only one report and it might be distorted, but my information was that when Austria was in a financial crisis on Tuesday and the various central banks were trying to raise money to assist Austria in meeting this crisis, France had mixed politics with finance and had refused to help, and it had resulted in the Bank of England making the entire loan. I told him that my information was that the French banks had refused to advance the money unless

Austria should agree not to go into a Customs Union with Germany. I said that did not appeal to me as the proper way to meet a financial crisis.

We then went on to discuss the situation in Germany. The Ambassador said that he regarded Bruening as a great man who was trying to do his best in this situation. I said I agreed with him. The Ambassador said he had been in New York and had talked with the bankers and that they thought something ought to be done. I said yes, they had spoken to me, but that I also saw the difficulties of doing anything. The Ambassador said yes, he appreciated that; that he had been here now four years and he understood the difficulties of our Constitution better than ever before and he realized the difficulties that I was under. I said that it was not only, however, the difficulties of America that I saw but the difficulties of France. I said that in my opinion France occupied the key to the situation; that nobody could help unless France helped. He asked, "Do you mean that you would help if France helped?" I said, "I cannot say that unequivocally—I cannot speak on that subject entirely with authority, but I can say unequivocally that unless France would help we could not help." He said, "Those are weighty words." I said, "I know it, and have thought of them for a long time."

He spoke of a moratorium by Germany. I said, "I cannot say whether the asking of a moratorium under the Young Plan by Germany would cause additional panic. Some of the bankers say that it would not now, because the situation has been so discounted." The Ambassador said yes, he knew that; that they had said the same thing to him. I said, "But there is some question as to whether a moratorium under the Young Plan would give Germany sufficient relief to make it worth while because it would not free her from making the payments." He said yes, he knew that to be so. I said, "The least objectionable plan which I have read would seem to be the plan of giving time on the part of everybody for one or two years; that that might give relief, but it must be on the part of everybody, and not on the part of America alone; that no plan which would propose that America should give up her debt receipts and leave France and England free to hold on to their receipts from Germany would have any chance of acceptance by this Government." He asked, "Do you mean the move must come from France?" I said, "Yes, we shall certainly make no move nor consent to any move until we are certain what France's attitude is." He said that might be pretty hard on France. I reminded him that France was looked upon as the rich nation of Europe now, and I reminded him of a message which had come to me from France in which the French

Government, as I remembered it, alluded to France and America as the two countries which had the gold. To make perfectly certain what I meant, I showed him the Lazard chart which lay on my table, which he said he had seen, and I pointed out the share of payments which came to France in the fifth row, and putting my finger on the green shaded portion marked 406.2, I said that unless France was willing to give up that portion, there was no chance of America giving up the portion which would come to her (being the white portion marked 432.2), and I pointed out the similar situation in regard to Great Britain and Italy. I said that unless everybody joins, certainly the Great Powers, there will be no possible chance of obtaining the consent of the American Congress. He said he appreciated the force of that position and that he would think over it very carefully. To make perfectly clear there was no misunderstanding before we separated, I again said to him that I had no authority to say to him that this plan would be accepted by the American Government, but I was perfectly certain that the other plan would not—referring to the plan for America to make the only sacrifice. He said he understood that and he understood its force. He said to me that he would think over carefully this matter.

462.00R296/4042

Memorandum by the Secretary of State of a Conversation With the French Ambassador (Claudel)

[WASHINGTON,] June 19, 1931.

The Ambassador called this afternoon (4:00 o'clock) and I reminded him of our conference two years ago in respect to the Bérenger Agreement,[34] which resulted so happily, and told him I had another very important communication to make to him. I told him that the President was now engaged in sounding out the leaders of Congress on the following proposition—a suspension for one year of all intergovernmental debts, including all reparations, debts and relief debts, but excepting debts owed to private citizens. I pointed out that this last would except the portion of the unconditional annuities coming to France which had been commercialized and for which the service amounted to about fifteen millions per annum as I was informed. I told him that the President had not completed

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[34] Debt agreement between the United States and France, signed April 29, 1926. For text, see *Combined Annual Reports of the World War Foreign Debt Commission, 1922–1926* (Washington, Government Printing Office, 1927), p. 257. See also *Foreign Relations*, 1926, vol. II, pp. 91 ff. The agreement was ratified by France on July 27, 1929.

his conferences with the leaders of Congress, but had met with gratifying success thus far. I told him, however, that he had gone far enough to ascertain that no proposition except one which involved a suspension of all claims coming to every nation would have any chance of acceptance in Congress; that the proposition must be mutual or it would fail.

He asked me whether I had communicated with his colleague from Great Britain. I said that France was the first one to whom I had made the announcement. He asked me what I meant by relief debts. I told him that that was a term used for certain of the post war debts. He asked whether that would include all of the debts incurred by Austria. I then called up Under Secretary Mills and after conferring with him told the Ambassador that it would include the obligations owed by the Austrian Government on her so-called relief debts incurred in 1919, funded about 1921 to 1924, and refunded in 1930, these being the debts for feeding Austria; but that it would not include the so-called League of Nations debts incurred about 1924, and probably would not include the last ones which had probably been made by banks. I told him that the line of difference was between debts incurred to other governments and debts incurred to individuals or banks. But I told him that if in case he had any doubt on this matter he could consult with Mr. Mills, who would give him the exact figures on these obligations.

He said to me, "Speaking for myself, I think that this is a wonderful offer. I am very much surprised that the President could go so far." I said to him, "I remember that in 1929, in the case of the Bérenger Agreement, the main factor in the success was the character of the note which you wrote to your own government, and I certainly hope that you will write a similar note this time." He said he would do his best. I told him that I was going to consult the other nations, Great Britain, and probably Italy, if I could get hold of them this afternoon.

H[ENRY] L. S[TIMSON]

462.00R296/4043

Memorandum of Trans-Atlantic Telephone Conversation[35]

[WASHINGTON,] June 19, 1931.

MR. MACDONALD: There is very bad news from Berlin this afternoon. Norman has talked with me about it. The situation has suddenly become very critical.

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[35] Between Mr. MacDonald in London and Mr. Stimson in Washington.

SECRETARY STIMSON: I can reassure you on that; no time is being lost. The President has been engaged all day in sounding out the opinion of the leaders of Congress and he has met with gratifying success so far. He is making a partial statement to the press to that effect, because it had begun to leak. The proposal which he was discussing was a suspension of all intergovernmental claims, including reparations, debts of all kinds, except debts owed to private citizens commercialized, for one year, and he is meeting with gratifying success. I have sent for your Ambassador and he has not yet arrived. I have sent for the French Ambassador and told him of it and he received it very warmly. But I am anxious that you should use whatever power you can to put pressure now on Paris. I want your help on the point that it must be mutual or it will not go at all. It must include claims of all sorts except those which have been commercialized to private citizens and any lack of mutuality on the part of France will result in nothing being done. Things are moving very rapidly and very possibly the President will be in a position to put out a statement in a day or so. But he is putting out a partial statement this afternoon which has already been issued. Just now. On account of a leak. It is an incomplete statement and does not give a full statement of what he is doing, but only indicates he is doing something. That is about the extent of the news now. It is the best we can do and it was enough to astonish the French Ambassador.

MR. MACDONALD: I suppose you have heard that the French agreed after all to put up sixty-five million schillings to the Austrian loan.

THE SECRETARY: I did and I was delighted, for it indicated that even a sinner can change his heart. The Cabinet has turned it down?

MR. MACDONALD: They have reimposed those conditions.

THE SECRETARY: They will meet a blast of public opinion if they try that.

MR. MACDONALD: There has been a big run on the Reichsbank today. Their reserve this morning was only one hundred million marks above the legal minimum. They have lost today seventy million marks on foreign currency.

THE SECRETARY: That is the critical position which has suddenly arisen? Well, we are off now—we are moving, and I hope it will not be too late. Do not forget about putting pressure on Paris.

462.00R296/4026

Memorandum by the Secretary of State of a Conversation With the German Chargé (Leitner)[36]

[WASHINGTON,] June 19, 1931.

The German Chargé called at Woodley this afternoon, and I told him that for some time we had been studying anxiously the situation in Germany and Austria, which seemed to be liable to produce very grave repercussions throughout the world. I said that in this country what we could do depended upon the joint action of the Executive and Congress, and the powers of the Executive were limited, but that the President was sounding out the leaders of Congress with respect to the possibility of this proposition—a suspension for one year of all intergovernmental claims and obligations, including reparations, debts and relief debts, and excepting only debts which were owed to private citizens like the so-called commercialized debts. I pointed out that the exception involved that portion of the unconditional annuities owing to France which had been commercialized and on which I understood the debt service amounted to about fifteen million dollars per year. I told him that the President had not finished his investigation, but that it was beginning to leak out through the press and, therefore, I preferred to tell what we were doing directly to the various countries involved rather than to have them hear distorted rumors from the press. I told him that the President had met with gratifying success so far, but we could not yet tell whether any step like that could be taken; that we felt that this step was far better both materially and psychologically than any other step we had heard proposed, including action under the Young Plan. I also said that its effectiveness would depend upon the cordiality and promptness with which it was received by all of the nations because the situation was psychological, but we hoped that a lead in this direction would lift the situation out of the slough of depression and start recuperation. I told him that this plan rested upon the assumption that it would apply to all nations and that no plan for this country (the United States) to make the only sacrifices would have any possibility of acceptance whatever; that the President's investigation had already made that clear. I told him that I was seeing the representatives of the different countries. He asked about France specifically, and I told him I had seen the Ambassador of France. The German Chargé took down notes of my statement as we talked.

H[ENRY] L. S[TIMSON]

[36] Similar conversations were held by the Secretary of State on June 19 with the British Ambassador, the Italian Chargé, and the Austrian Minister; and on June 20 with the Belgian Ambassador, the Yugoslav Minister, the Rumanian Minister, and the Greek Chargé (462.00R296/4047, 4041, 4025, 4027, 4048, 4049, 4050).

462.00R296/4015a : Telegram

The Secretary of State to the Ambassador in Germany (Sackett)

[Paraphrase]

WASHINGTON, June 20, 1931—11 a. m.

81. The views of Congressmen are being sounded out by the President with a view to sending a proposal to the different countries in Europe. This would suspend all obligations and claims between governments for 12 months and would embrace all except private debts and all annuities arising out of reparations. The President is hopeful that, by so taking the initiative, he will grant time to hard-pressed debtors and also alter the distrustful and panicky feeling on account of which the German gold reserves have been undergoing withdrawal and repercussions are threatened in Central Europe as well as disaster in Germany. As the most effective means of helping Germany and other countries and as the most practicable appeal to public opinion in this country, the decision has been made in favor of this suggestion. Remarkable success has already attended the President's efforts to secure the support of Congressmen; but, if he could have in his possession and ready to be published when necessary, a statement of what the German situation actually is and what its dangers are to Germany and the rest of the world—a statement that would come from the highest official source possible, it would assist him in strengthening the support which he has already and in securing further support. Proof that the situation is urgent is required, something along the lines of a moratorium declaration under the Young Plan but without involving the technical results and dangers that would follow such a moratorium. The average American has no tangible evidence at the present time of such a critical situation, and he is inclined to think that the bankers, for their own purposes, have raised a mere scare.

Nearest to what we have in mind would be a statement sent to President Hoover by President von Hindenburg which would indicate that the present situation in Germany is grave for the whole world as well as for Germany. This statement could well point out the present economic difficulties of the German people and also the sacrifices already made by them; and it might indicate the psychological and material advantages that would accrue to them if the discharge of their obligations could be somewhat deferred. The statement might express a hope for the rehabilitation of the people of Germany if this aid were granted them. It might also indicate faith in the German people.

Please discuss this question at once with the German Government.

Such a statement should be in our hands by tomorrow, as the President will probably have to act by that time. This will confirm the message I sent over the telephone.[38] The President feels very strongly, and asks me to inform you of his feeling, that, rather than coming from any other source, such a statement should come from President von Hindenburg personally in order that it may have the effect which is desired.

STIMSON

462.00R296/4022a : Telegram

The Secretary of State to the Ambassador in Germany (Sackett)[39]

WASHINGTON, June 20, 1931—7 p. m.

84. Owing to premature information reaching the press it is necessary for the President to issue a statement for publication tomorrow regarding the proposal to postpone all inter-governmental debts in line with my telegram to you. Please explain this at once to the government.

I am particularly anxious that this should not interfere with the making of a favorable statement by Hindenburg.

STIMSON

462.00R296/4022b : Telegram

The Secretary of State to the Ambassador in France (Edge)

WASHINGTON, June 20, 1931—8 p. m.

262. The President has given the following statement to the press. Please transmit it immediately to the French Government.

"The American Government proposes the postponement during one year of all payments on intergovernmental debts, reparations and relief debts, both principal and interest, of course, not including obligations of governments held by private parties. Subject to confirmation by Congress, the American Government will postpone all payments upon the debts of foreign governments to the American Government payable during the fiscal year beginning July 1 next, conditional on a like postponement for one year of all payments on intergovernmental debts owing the important creditor powers.

"This course of action has been approved by the following Senators: Henry F. Ashurst, Hiram Bingham, Wm. E. Borah, James F. Byrnes, Arthur Capper, Simeon D. Fess, Duncan U. Fletcher, Carter

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[38] No record of this telephone conversation found in Department files; see the Ambassador's telegram No. 86, June 20, 11 p. m., p. 35; also his despatch No. 990, June 24, p. 39.

[39] First paragraph sent also to the Chargé in Great Britain as Department's No. 176 and to the Ambassador in France as No. 261.

Glass, William J. Harris, Pat Harrison, Cordell Hull, William H. King, Dwight W. Morrow, George H. Moses, David A. Reed, Claude A. Swanson, Arthur Vandenberg, Robert F. Wagner, David I. Walsh, Thomas J. Walsh, James E. Watson; and by the following Representatives: Isaac Bacharach, Joseph W. Byrns, Carl R. Chindbloom, Frank Crowther, James W. Collier, Charles R. Crisp, Thomas H. Cullen, George P. Darrow, Harry A. Estep, Willis C. Hawley, Carl E. Mapes, J. C. McLaughlin, Earl C. Michener, C. William Ramseyer, Bertrand H. Snell, John Q. Tilson, Allen T. Treadway and Will R. Wood. It has been approved by Ambassador Charles G. Dawes and by Mr. Owen D. Young.

"The purpose of this action is to give the forthcoming year to the economic recovery of the world and to help free the recuperative forces already in motion in the United States from retarding influences from abroad.

"The world-wide depression has affected the countries of Europe more severely than our own. Some of these countries are feeling to a serious extent the drain of this depression on national economy. The fabric of intergovernmental debts, supportable in normal times, weighs heavily in the midst of this depression.

"From a variety of causes arising out of the depression such as the fall in the price of foreign commodities and the lack of confidence in economic and political stability abroad there is an abnormal movement of gold into the United States which is lowering the credit stability of many foreign countries. These and the other difficulties abroad diminish buying power for our exports and in a measure are the cause of our continued unemployment and continued lower prices to our farmers.

"Wise and timely action should contribute to relieve the pressure of these adverse forces in foreign countries and should assist in the reestablishment of confidence, thus forwarding political peace and economic stability in the world.

"Authority of the President to deal with this problem is limited as this action must be supported by the Congress. It has been assured the cordial support of leading members of both parties in the Senate and the House. The essence of this proposition is to give time to permit debtor governments to recover their national prosperity. I am suggesting to the American people that they be wise creditors in their own interest and be good neighbors.

"I wish to take this occasion also to frankly state my views upon our relations to German reparations and the debts owed to us by the allied Governments of Europe. Our government has not been a party to, or exerted any voice in determination of reparation obligations. We purposely did not participate in either general reparations or the division of colonies or property. The repayment of debts due to us from the Allies for the advance for war and reconstruction were settled upon a basis not contingent upon German reparations or related thereto. Therefore, reparations is necessarily wholly a European problem with which we have no relation.

"I do not approve in any remote sense of the cancellation of the debts to us. World confidence would not be enhanced by such action. None of our debtor nations has ever suggested it. But as the basis

of the settlement of these debts was the capacity under normal conditions of the debtor to pay, we should be consistent with our own policies and principles if we take into account the abnormal situation now existing in the world. I am sure the American people have no desire to attempt to extract any sum beyond the capacity of any debtor to pay and it is our view that broad vision requires that our government should recognize the situation as it exists.

"This course of action is entirely consistent with the policy which we have hitherto pursued. We are not involved in the discussion of strictly European problems, of which the payment of German reparations is one. It represents our willingness to make a contribution to the early restoration of world prosperity in which our own people have so deep an interest.

"I wish further to add that while this action has no bearing on the conference for limitation of land armaments to be held next February,[40] inasmuch as the burden of competitive armaments has contributed to bring about this depression, we trust that by this evidence of our desire to assist we shall have contributed to the good will which is so necessary in the solution of this major question."

STIMSON

462.00R296/4016 : Telegram

The Ambassador in Germany (Sackett) to the Secretary of State

[Paraphrase]

BERLIN, June 20, 1931—11 p. m.
[Received June 20—10: 22 p. m.]

86. Received your No. 81, June 20, 11 a. m. I at once saw the Chancellor and Under Secretary von Bülow after our Department conversation. The nature of the desired communication is entirely understood.

It has had to be prepared under pressure as Von Hindenburg is in East Prussia. You will, I believe, find the draft, which I have seen, satisfactory.

By midnight I expect to receive the final text and to begin encoding it.

SACKETT

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[40] See pp. 471 ff.

462.00R296/4017 : Telegram

The Ambassador in Germany (Sackett) to the Secretary of State

BERLIN, June 20, 1931—12 p. m.
[Received June 21—12:21 a. m.]

87. My 86, June 20, 11 p. m. Following is text in translation as transmitted to me by the Chancellor of a telegram addressed by President von Hindenburg to President Hoover:

"Neudeck, 20th June, 1931.

Herbert Hoover, President of the United States.

Mr. President: The need of the German people which has reached a climax compels me to adopt the unusual step of addressing you personally.

The German people has lived through years of great hardship, culminating in the past Winter, and the economic recovery hoped for in the Spring of this year has not taken place. I have, therefore, now taken steps, in virtue of the extraordinary powers conferred upon me by the German Constitution, to insure the carrying out of the most urgent tasks confronting the Government and to secure the necessary means of subsistence for the unemployed. These measures radically affect all economic and social conditions and entail the greatest sacrifices on the part of all classes of the population. All possibilities of improving the situation by domestic measures without relief from abroad are exhausted. The economic crisis from which the whole world is suffering hits particularly hard the German nation which has been deprived of its reserves by the consequences of the war. As the developments of the last few days show, the whole world lacks confidence in the ability of the German economic system to work under the existing burdens. Large credits received by us from foreign countries have been withdrawn. Even in the course of the last few days the Reichsbank has had to hand over to foreign countries one-third of its reserves of gold and foreign currency. The inevitable consequence of these developments must be a further serious restriction of economic life and an increase in the numbers of unemployed who already amount to more than one-third of the total number of industrial workers. The efficiency, will to work, and discipline of the German people justify confidence in the strict observance of the great fixed private obligations and loans with which Germany is burdened. But, in order to maintain its course and the confidence of the world in its capacity, Germany has urgent need of relief. The relief must come at once if we are to avoid serious misfortune for ourselves and others. The German people must continue to have the possibility of working under tolerable living conditions. Such relief would be to the benefit of all countries in its material and moral effect on the whole crisis. It would improve the situation in other countries and materially reduce the danger to Germany due to internal and external tension caused by distress and despair.

You, Mr. President, as the representative of the great American people, are in a position to take the steps by which an immediate change in the situation threatening Germany and the rest of the world could be brought about. President von Hindenburg."

SACKETT

462.00R296/4029a : Telegram

The Secretary of State to the Ambassador in Germany (Sackett)

[Paraphrase]

WASHINGTON, June 21, 1931—2 p. m.

86. The message from Hindenburg arrived just this morning and as you already know the President was forced to issue his statement last night. Since then the German Chargé has called in order to say that the German Government hoped that the message from Hindenburg would be kept from the press unless released in connection with President Hoover's statement. The matter is now being considered from the standpoint of the German market's serious condition as of yesterday and other factors. The German Government would be informed in advance if it should appear necessary to make the message public. In such an event the fact would be made clear that the message was requested as official corroboration of private reports. It would be used as an extension and partial explanation of the President's statement. You will realize the importance of holding as strictly confidential in the meantime the information that any message at all has come from Germany.

STIMSON

462.00R296/4021 : Telegram

The Ambassador in Germany (Sackett) to the Secretary of State

[Paraphrase]

BERLIN, June 22, 1931—11 a. m.
[Received June 22—8:55 a. m.]

90. Reference is made to your telegram No. 86, June 21, 2 p. m. The Embassy took every precaution in order to prevent the information that the Hindenburg message was sent being made public. However, the Germans were unable to contain themselves entirely, so great was the enthusiasm created by the news of President Hoover's decision. Foreign Minister Curtius told me at a luncheon given yesterday by Bruening that the newspaper people in Germany had acquired the information that a message had been sent to President Hoover by President Hindenburg.

Owing to the absence of regular newspapers on Monday morning in Berlin only emergency sheets appeared. However, the main one of these briefly summarizes the Hindenburg message. The story carries a date line of New York, June 21.

Under Secretary von Bülow told me this morning that the method set forth in your telegram for handling publication of the message was

entirely satisfactory to him. He also said in strict confidence that he believed that some high German official had been responsible for the leak to the German newspapers.

SACKETT

462.00R296/4021 : Telegram

The Secretary of State to the Ambassador in Germany (Sackett)

[Paraphrase]

WASHINGTON, June 22, 1931—1 p. m.

87. Reference is made to my telegram No. 86 of June 21, 2 p. m., and your telegram No. 90 of June 22, 11 a. m. With regard to the Hindenburg letter the following is a chronology of events:

The Department expected to receive Hindenburg's message prior to the issuing of a statement here by the President. However, on Saturday night a leak to the press through some of the persons consulted on the subject by the President forced the President's hand. It was the intention of President Hoover to give out his statement on Sunday for publication the following day. When the Hindenburg letter did come and with it the request by the German Government that it be withheld from publication unless published in connection with the President's statement, we decided that the letter should not be published now in view of the advance in the President's plans forced upon him by the leak. However, no sooner had we decided not to publish the letter than word was received from Berlin that information had leaked out there that a letter had been written. According to our information there was no leak here regarding the letter. Because of the situation created by the leak in Berlin I released the following statement to the press: [41]

"Since the financial situation in Germany has been under consideration, the President has been making every effort to gather information in regard to it, which should be accurate and authentic and he recently made a request for such information from the German Government, requesting that it be of the highest authority. He has received a response in the form of a letter to him from President von Hindenburg and considers its contents as confidential to himself. The information thus obtained corresponds to that obtained from other official and private reports and which is publicly current."

The situation now is that we are holding the letter in strict confidence and advance notice will be given to the German Government

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[41] Text of statement not paraphrased.

if we find it advisable to publish it at some later date.[42] The above is sent for your own information.

Any further rumors or leakage would only have the tendency to cause speculation here and so to add a disquieting element to the German situation, which we are all trying to stabilize. Consequently I think that you should not at this time reopen the matter with the German Government.

STIMSON

462.00R296/4294

The Ambassador in Germany (Sackett) to the Secretary of State

No. 990 BERLIN, 24 June, 1931.
[Received July 6.]

SIR: I have the honor to report the chronological order of events with reference to the procuring of message from President von Hindenburg to President Hoover.

Your telephone call was received at approximately 3.30 p. m. on June 20, 1931, and appointment immediately made with the Chancellor for 5.15.

Accompanied by Mr. Gordon,[43] I saw the Chancellor and explained the purpose that I had in view. He exhibited great appreciation as well as relief from the severe strain as soon as I delivered my message. I told the Chancellor at the beginning that Mr. Hoover was taking a serious step, not only in foreign politics, but which might have immediate repercussions in internal political life and that he felt it was necessary to have the authority of the highest official of the State behind him as to the conditions which Germany was facing and that he needed the letter to be used and published if necessary and I did not know under what conditions he might have to publish the same, but that such was the purport of the message I had received. I explained the nature of the message desired and that it must be in Washington in the morning. The Chancellor asked permission to call in Bülow, who came, and I repeated again the message that I had received. The Chancellor explained that Hindenburg was at Neudeck in East Prussia, but that in spite of the difficulties and rapidity required he would undertake to get up the kind of letter I suggested and take it up by telephone with the President. A further meeting was arranged with the Chancellor at 9.30 p. m. to go over

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[42] The Hindenburg letter was published as an enclosure to a letter dated December 16, 1931, from the Secretary of State to James W. Collier, Chairman of the Ways and Means Committee of the House of Representatives. See Department of State, *Press Releases*, December 19, 1931, p. 583.

[43] George A. Gordon, Counselor of Embassy.

the situation. With Mr. Gordon I called at the Foreign Office at that hour and was met by Bülow, who stated that the letter, prepared in the rough, had been in principle approved by the President and that the Chancellor had complete authority to turn the same over to me, but that it was not yet ready. However, he read an English translation of that part of the letter at that time completed and translated the balance as best he could. We felt they seemed to have grasped the general idea of what was needed.

Bülow then stated that as soon as the translation was complete and the message written and finally approved by the President, he would call at the Chancery with Dr. Dieckhoff, of the Foreign Office, and go over the matter again. Mr. Gordon and I returned to the Chancery to busy ourselves with the first telegram stating that we had seen the rough draft and thought it on the whole satisfactory. Soon after we finished sending this message Bülow and Dieckhoff arrived at the Chancery with the complete German text, together with a complete English translation made by the Foreign Office, which was read to Mr. Gordon and myself and turned over to us without restriction of any kind. With it they repeated a message of the deep and sincere appreciation from the Chancellor personally and as representative of the German Government of the step that Mr. Hoover was to announce on Sunday morning. The letter was immediately encoded in its English text and left the Chancery about two o'clock a. m.

The following day, Sunday, I was called about twelve o'clock by Enderis, of the *New York Times*, who said he wanted to inquire what this was about President Hindenburg having sent a telegram to President Hoover. This was the first intimation to me that any leakage had taken place in regard to the letter. I replied to Enderis that as he knew I was always glad to furnish such information on international affairs as was compatible with the public interest, but in view of the importance of President Hoover's action which was then in the press, I hoped that he would not ask me any questions of any kind on any subject, as my lips were sealed in the present instance. This he accepted in the spirit in which it was given and willingly withdrew any question.

At two o'clock on Sunday, June 21st, I went to luncheon at the Chancellor's residence, in accordance with an invitation received on Saturday morning (before this debt-reparation question had come up) given in honor of Sir Walter Layton, English economist. I found there the principal figures of the German Government, some twenty-eight in all. The tone of the entire group was most optimistic and eulogistic of President Hoover and congratulatory for themselves. After luncheon was over, and while the whole group were in the garden, the Foreign Minister, Curtius, and Bülow joined

me and Curtius said to me that in some way the fact that President Hindenburg had sent a telegram to President Hoover had leaked out to the press and he was being beseiged for a copy of the communication and that he did not know how he was going to be able to avoid the matter and asked if I had any suggestions. I said to him and Bülow that if such a situation arose in America our reply to the press would be: "In the case of a serious communication from a high official of our Government to that of another we would feel, as the senders, the obligation of not giving out such a private communication, as it would be the rule of courtesy in such matters to leave publication or exposition of the matter in the hands of the party to whom it was sent," and I asked him if such a reply would not be effective in their instance. Curtius immediately grasped at the idea and thought that was the way to handle it and would be governed accordingly. No other comment on the matter was made at the time and neither Mr. Gordon, who was present at all conferences, except the interview in the garden, nor myself had any intimation that there was to be the slightest restriction on the use of the letter that was sent.

On receiving your No. 86, June 21, 2 p. m., on Monday morning, the 22nd, I got in touch with Undersecretary of State Bülow by telephone and explained to him that if it should appear necessary to the President to make the Hindenburg message public it would be indicated that it had been requested and would be used to extend and explain the President's action. Bülow replied that he entirely endorsed this plan of procedure. It was during this conversation that he said it was probable that the leak could be charged to a high official of the German Government—probably a cabinet officer.

Dr. Dieckhoff asked Mr. Gordon to call on him at the Foreign Office on Tuesday morning and inquired if it was our expectation that a further formal communication would be made to the German Government with respect to the President's proposal, and in what way it would seem best for the German Government formally to signify its acceptance thereof. Mr. Gordon replied that he doubted if there would be any further communication and suggested that the German Chargé d'Affaires could inquire at the State Department if any such would be forthcoming and, if not, could thereupon make a formal statement of his Government's position. Dr. Dieckhoff said that he also thought that was the best course and that it would be followed.

Dr. Dieckhoff read to Mr. Gordon a telegram from the German Chargé d'Affaires in Washington, in which the latter referred to his Government's instructions concerning restrictions on the publication of President Hindenburg's message to President Hoover, in pursuance

of which he had requested the State Department not to publish it separately and apart from the President's proposal. Mr. Gordon interjected that it had been made clear to both the Ambassador and himself that no restrictions existed when the message was delivered at the Chancery for transmission. Dr. Dieckhoff smiled and said: "Of course there were not; that's just where the misunderstanding arose."

Since receiving the Secretary's message No. 87, June 22, 1 p. m., setting out the chronological order of these events in Washington, I have had no further conversations with the German Government on the subject.

Respectfully yours, FREDERIC M. SACKETT

II. Negotiations To Secure Acceptance by France of the Moratorium Proposal

462.00R296/4030

Memorandum by the Secretary of State of a Conversation With the French Ambassador (Claudel)

[WASHINGTON,] June 21, 1931.

The French Ambassador called this afternoon at Woodley, and said he had a note from his Government in relation to the President's statement.[45] He gave to me verbally the substance of this statement. I took it down as he stated it, as follows:

1. "France appreciates very much what America has done in showing a spirit of solidarity. France considers that such a spirit is a very vital and important element of the situation and appreciates it" (this demonstration of it).
2. "Many problems of the first order are implicated in which France wants a delay of a few days."
3. "France is very responsive to the call of the President and will do all that is possible to cure the situation in a spirit of solidarity with America."

I told him that time was of the essence, the crisis was one of confidence and credit, and therefore the psychological element played a large part in the run of it. I said that if France met us with quick, generous appreciation of the President's spirit and at once professed herself to be in accord with his general proposition, even if she necessarily reserved certain details and technicalities for discussion, it would have a great effect in curing the situation. I, therefore, expressed my hope that France would not delay long and would express herself as being in accord with the general proposition.

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[45] For text of the President's statement, see telegram No. 262, June 20, 8 p. m., to the Ambassador in France, p. 33.

The Ambassador said it was not a question of long delay, but a day or two. As for my suggestion of an expression of general accord, he asked me if I would draw up a suggestion which he could send to his Government. I then went to my library, leaving him sitting in the garden with Mrs. Stimson, and I drafted the following suggestion:

"The French Government welcomes the suggestion of President Hoover and believes that his proposal of a general suspension for one year of payments on all intergovernmental debts and reparations would be a most helpful method of restoring world confidence and of giving to the debtor governments an opportunity to regain their stability. The proposition involves details and technicalities which the French Government has not yet had time to study, and which it will perhaps desire to discuss with the American Government, but with the general proposition it is in hearty accord."

He took it and suggested striking out the word "perhaps" in the last sentence, because he said his government would certainly want to discuss some points, and then said he would send the suggestion to his government.

I pointed out to him that the central thought in President Hoover's proposition was that a wise creditor gives time to his debtor, and this was a suggestion to give time to the government debtors of Central Europe for one year so that they could recover their breath and get on their feet. He said he appreciated the situation, and as he went away he repeated to me that the essential idea is the giving of time.

H[ENRY] L. S[TIMSON]

462.00R296/4023 : Telegram

The Ambassador in France (Edge) to the Secretary of State

[Paraphrase]

PARIS, June 21, 1931—8 p. m.
[Received June 22—7:24 a. m.]

332. Telegrams 257, June 19, 6 p. m., from London,[46] 261 of June 20, 7 p. m.,[47] and 262, June 20, 8 p. m.,[48] were decoded this morning. At a reception to President Doumer this afternoon which I attended I informally discussed the situation with M. Berthelot, second in the Foreign Office to M. Briand, with M. Flandin, the Minister of Finance, and later with Count Manzoni, the Italian Ambassador to France. I made an engagement to call at the Foreign Office at 10 a. m. Monday and told M. Berthelot I had received official advices from the State Department. I will present the contents of your 262 to M. Berthelot,

[46] Not printed.
[47] See footnote 39, p. 33.
[48] *Ante*, p. 33.

as M. Briand is in the country, and will not return until late Monday afternoon.

Ambassador Claudel, M. Berthelot informed me, had advised the Foreign Office of the contents of President Hoover's announcement. M. Berthelot had replied in effect that the proposal was very interesting but that there were financial considerations involved which would require careful study. As soon as possible a further reply would be made.

M. Flandin, with whom I then informally discussed the proposal, indicated considerable concern as to the effect of postponement of the unconditional payments of German reparations under the Young Plan.[49] I suggested as clearly set forth in the President's statement that the moratorium did not change the ultimate status but simply postponed payments all around for 1 year, and that by providing a necessary financial breathing spell it would give an international opportunity to reestablish confidence.

It was, M. Flandin stated, "a matter of figures" that some of the smaller countries, Yugoslavia being specifically mentioned, were depending on current incomes from Germany to assist in their budgets and while he had not reached any conclusion the entire debt credit condition must nevertheless be studied.

He then inquired if there was any chance that Mr. Mellon would come to Paris soon.[50] As to this I told him I was not informed. M. Flandin was inclined to feel that this might be helpful.

He then suggested vaguely that it was important to consider the political effect in France, that this announcement following so soon after Mr. Mellon's presence in London and after the Chequers meeting [51] excited in Parliamentary circles some suspicion. He implied that while he did not so construe the decision, still some groups in Parliament would feel that this announcement was the result of conferences with France outside the "pilot works." I was positive, I tried to assure him, that this suspicion was no doubt erroneous and that the proposal was a frank and open effort to help stabilize world confidence and economics; that under the proposal the United States was principally affected and that we were facing a large deficit. While he indicated his own clear understanding he demonstrated plainly his fear of domestic political difficulties.

Count Manzoni, with whom I later informally discussed the question, expressed the view that Italy would agree to the proposal.

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[49] See Great Britain, Cmd. 3343 (1929): *Report of the Committee of Experts on Reparations.*

[50] Andrew W. Mellon, U. S. Secretary of the Treasury, had arrived in London on June 16.

[51] See footnote 6, p. 2.

According to Count Manzoni's recollection, Italy would receive for the year from July 1931 to 1932, 260,000,000 lira more than she was compelled to pay on war debts. He seemed quite positive, nevertheless, that the good brought about by such an armistice would outweigh the advantage of such a surplus. I have been approached voluntarily by several Ministers, particularly the Ministers of Holland, Canada, and Switzerland, who expressed to me their pleasure over the President's announcement which appeared in full here Sunday morning in both English and some French newspapers.

EDGE

462.00R296/4023 : Telegram

The Secretary of State to the Ambassador in France (Edge)

[Paraphrase]

WASHINGTON, June 22, 1931—7 p. m.

265. Reference is made to your telegram No. 332, June 21, 8 p. m. The dangers of the situation which are brought out clearly in your conversation with Flandin and which you have pointed out in your telegram are fully appreciated here. Of course there is no basis at all for any suspicion such as the one which he indicates. This plan has not been discussed in a preliminary way with any other nation. Naturally enough the President has been following the situation in Germany with keen anxiety. When the financial crisis in Germany of Friday and Saturday of last week indicated that disaster was imminent unless the President acted at once, he then acted. When the President reached his decision to act France was the first of the other nations notified. That occurred last Friday.

In order that it may be made clear how the critical development last Friday and Saturday in German withdrawals forced the President's action, the President is asking Mr. Mellon to visit Paris. This is for your own information.

The information we have here suggests that if the President had not acted Central Europe would probably have reached financial ruin by today. France should be reassured by these facts and thus prevented from believing at all that she was left out of any carefully drawn up plans intentionally. When Mr. Mellon reaches Paris he will then be able to make it clear to the French Government that his London conversations had only the purpose of finding out the urgency and the difficulties in the German financial situation and not of making plans of any character for action by the President. When Secretary Mellon arrives please show this telegram to him.

STIMSON

462.00R296/4043b : Telegram

The Secretary of State to the Chargé in Great Britain (Atherton)

[Paraphrase]

WASHINGTON, June 22, 1931—7 p. m.

179. For Secretary Mellon. I have been asked by the President to telegraph you regarding the very favorable reception which his debt statement has so far been given. The attitude of France seems to be the only remaining danger spot. Every effort is being made by us from here to smooth down any resentment which may have been caused by the suddenness of the announcement. We have received intimation that your visit to London and your conferences with members of the British Government, following so soon as it did after the Chequers meeting, has excited suspicion in French parliamentary circles that France has been left outside the "pilot works" in some preliminary preparation for the announcement of the President's statement. The French, I feel, should be reassured that there has been no preliminary discussion of this plan with any other country. Naturally the President has been following the situation in Germany with keen solicitude. He acted when the financial crisis in Germany of the last two days of last week indicated that disaster was imminent unless he acted at once. France was the first of the other nations notified when a decision to act had been reached by the President. That was on last Friday.

On Sunday the French Minister of Finance expressed to Ambassador Edge the hope that you might be going to Paris soon and that he felt this would be most helpful. Your going to Paris as soon as possible, he seemed to feel, would aid in smoothing over the situation.

The President, Mr. Mills, and myself all think that it is extremely important that you should go to Paris. We feel that such a visit would just at this time do more than anything else to insure French acceptance, although we of course dislike to break into your vacation in this way. All the arguments for mutuality of sacrifice by France with America in this situation are familiar to you. Whereas the most that France is called upon to sacrifice would be less than $100,000,000, you can say that we are making a sacrifice of $250,000,000. You are likewise familiar with the character of the crisis in Central Europe and the importance of ending it now by a general demonstration of solidarity and confidence.

It is also important that the French should know from high authority how the critical developments in German withdrawals on Friday and Saturday in the end forced the President's action. We are informed that there would probably have been a financial disaster in Germany today had he not acted when he did. France should be reassured by these facts and they should prevent her from enter-

taining any idea that she has been left out of any carefully calculated plan intentionally.

At this moment when a decision as to France's future attitude toward this proposition hangs in the balance the President is exceedingly anxious that you should go to Paris to help out in dealing with this matter. It is, however, as I have said, with the greatest reluctance that the President has reached the conclusion that in order to do this he must ask you to give up your personal plans and convenience.

STIMSON

462.00R296/4045 : Telegram

The Ambassador in France (Edge) to the Secretary of State

[Paraphrase]

PARIS, June 22, 1931—4 p. m.
[Received June 23—12:52 a. m.]

334. Reference to your No. 262 of June 20, 8 p. m.[52] I saw Berthelot at the Foreign Office this morning and in the absence of Briand presented him with the official text of the President's statement. The substance of Claudel's communications was given to me by Berthelot, particularly the draft for the French reply to the President's statement. The Cabinet Council will consider this tomorrow. The important point of it is that the French Government agrees to the principle of according a delay in debt payments and is anxious as soon as possible to work out the details. The French would in all probability, Berthelot indicated, make a reservation on the subject of the unconditional reparations payments. In response to my statement that I was sure that my Government had no such differentiation in mind he said that for psychological reasons France did not feel that she could give up these payments, which might be very difficult to have resumed and the remission of which would meet with tremendous opposition in the French Parliament. Berthelot said that while the payments as such should continue there might be some arrangement for balancing them so that although France would not get the benefit of them she would nevertheless receive the payments. He said when closely questioned that he did not know what the method could be by which such an offset might be brought about. He refused to commit himself on either the possibility of a credit or of a loan.

Berthelot said that the French fully realized that they had been kept absolutely *au courant* and that, with reference to the reaction in the French press this morning, the statement that the French

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[52] *Ante*, p. 33.

Government had not been properly informed was complete nonsense. While a visit from Mr. Mellon to Paris would not be needed from the point of view of the French Government it might be useful for the effect it would have in the press. Berthelot realized that Mr. Mellon had not come to England to negotiate on this subject but had taken advantage of the opportunity to talk over the matter. The French have had, according to Berthelot, a very quick calculation made of the relative importance of the debt situation which showed that the sacrifice of the United States would be at least double that of France; that the French sacrifice would be second; that of England approximately one-tenth that of France; Belgium's slightly more than England's; and Italy's about the same. The sacrifice of the United States according to this calculation would be about 6% of its budget. It would be 4% of the French budget and a very inconsiderable portion of the British budget. Public opinion in France, he felt, would surely question why so great a sacrifice should be imposed on France in comparison with her neighbors, and some adjustment on this point might be demanded by them.

No compensation with respect to its sacrifice, I pointed out, had been asked for by the United States. I also pointed out that the question came down to whether the countries of the world would not be willing to make a temporary sacrifice for one year in order to improve the world financial situation, thus making payments more probable next year and thus producing better results.

The French Government, Berthelot said, fully understood this point of view and realized that some international action had become absolutely necessary because of the withdrawals of gold from the Reichsbank. This action was necessary in the interests of Germany and through Germany to the financial establishments of the world.

It was suggested at the conclusion of the conversation that Briand might desire to see me upon his return late this afternoon. In reply to my question as to whether there was anyone else I could usefully see it was suggested that I see Prime Minister Laval. Laval is returning to town tomorrow morning for the meeting of the Cabinet. As soon as possible tomorrow I shall endeavor to see him.

EDGE

462.00R296/4046 : Telegram

The Ambassador in France (Edge) to the Secretary of State

PARIS, June 22, 1931—8 p. m.
[Received 10:27 p. m.]

335. Referring to my telegram No. 334, June 22, 4 p. m., the plan for a refinancing of the unconditional portion of the German repara-

tions settlement referred to in vague terms this morning by Berthelot is said to be an idea originated by Quesnay of the Bank of International Settlements at Basel for a loan to Germany by a consortium of French banks of an account [*amount?*] of money equivalent to the total of the unconditional reparations payments. This information seems to have been generally disseminated to the press and may be discussed in tomorrow morning's papers and would seem to accord with the desire of the French bankers as there is a large amount of money at present in possession of the banks drawing only one-half of one percent.

[Paraphrase.] Since the last German loan issued at approximately 98 has sold in Paris as low as 65 and thus the German credit is bad with the buying public here, American bankers here do not agree that a purely French loan without some international character could be readily disposed of in this country.

This afternoon in a telephone conversation with Mr. Mellon I discussed with him the advisability of his spending a day or two in Paris en route to Cape Ferrat, which he expects to visit shortly. Some curiosity here on account of French sensitiveness has naturally been created by his various conferences at London with bankers and officials. It was intimated by Mellon that he would telephone Washington tonight on this subject. [End paraphrase.]

EDGE

462.00R296/4043a : Telegram

The Secretary of State to the Ambassador in Germany (Sackett)

[Paraphrase]

WASHINGTON, June 22, 1931— 5 p. m.

89. Both here and in Europe the press reaction to the President's statement has been favorable. However, a tendency which may originate in Germany and which has appeared in some of the press has greatly disturbed me. This is a tendency to consider that by means of a sort of coalition of Great Britain, Germany, and the United States for solving international debt matters all difficulties have now been ironed out. In my view this is unfortunate in the highest degree. There are still a great number of questions, as you are aware, in connection with the Young Plan which must still be adjusted. French cooperation is the prerequisite for this adjustment. I believe that Germany will find it advantageous to work out with the French Government these problems pertaining to the Young Plan. I feel that this is a matter in which we cannot intervene, as it rests between France and

Germany. The broad lines of the President's proposal are simple of course, but the Germans must not fail to remember that the big creditor with whom they must deal is France. It must not be assumed by the German Government that President Hoover took this step without full regard for the position of France or that he would pursue the matter any further without equal regard for the position of France. I desire you to make this point clear to Bruening or the Foreign Minister in the hope that they will do whatever can be done to clear away any misapprehensions which may now exist.

STIMSON

462.00R296/4063 : Telegram

The Ambassador in Germany (Sackett) to the Secretary of State

[Paraphrase]

BERLIN, June 23, 1931—8 p. m.
[Received 8:06 p. m.]

93. Referring to your 89, June 22, 5 p. m., I have just delivered your message to Curtius, whose first reaction was one of considerable perturbation as to whether the suggestion of direct conversations between France and Germany should be interpreted as meaning that it is up to Germany to begin negotiations with France at once in order to prevail upon her to signify her acceptance of the Hoover proposal, or whether, on the contrary, it means that Germany, once the French have agreed to the proposal in principle, should take up with them the manifold technical points to be settled directly. Curtius hoped that it meant the latter, since he felt that otherwise he might have had some misunderstanding of the Hoover proposal, which he understood involved a definite acceptance in principle by all the major creditor powers as a condition precedent to its further fruition.

I replied, while avoiding a more direct answer, that the President was certainly not modifying the terms of his proposal, and this seemed satisfactory to Curtius.

Referring more specifically to the message itself, Curtius told me that he had convoked a press conference of German journalists as early as Sunday night, and had urged them to refrain from suggesting that any common front of the United States, Great Britain, and Germany against France or any other power existed and had asked them, on the contrary, to play up the idea that Germany recognized that it was essential to settle amicably with France the many points which remain to be decided before the President's proposition could be put into effect. Curtius hoped, therefore, that the press reports mentioned in your telegram did not have their source in Germany and added that he and Bruening were well aware of the need for assisting French psychology.

It was their intention to do what they could to make it easier for France to adopt the President's suggestion.

SACKETT

462.00R296/4444

Address by the Chancellor of the German Reich (Bruening)[53]

[Translation]

LADIES AND GENTLEMEN: All the peoples of the earth are deeply impressed by the historical step taken by the President of the United States on Sunday to check the tremendous crisis which has overtaken almost all nations and to bring aid to those who threaten to succumb beneath it. The German people and the German Government accepted President Hoover's proposal with heartfelt gratitude. We see a new hope for Europe and for Germany proceeding from this proposal. It brings Germany aid at a critical moment in her history when difficulties have accumulated to the utmost limit. The first effectual initiative has been taken toward a better future; but the German Government must warn against the belief that through this proposal, if it is accepted by all the nations in question, we will have surmounted all the troubles confronting us.

While the German Government has attempted to gain control of threatening dangers by repeated rigorous measures in the form of the Emergency Decree of December and the last Emergency Decree and while it was forced to impose upon the German people the extreme of burdens and privations in order to get through the coming months and, above all, next winter, it was well aware that the climax of financial difficulties would, in all probability, be reached in 1932. Although the German Government has balanced the budget of the Reich for the current fiscal year, in the event that no further worsening of the economic situation occurs, and although it has even made a considerable amount available for the municipalities in order to alleviate the growing exactions for those unemployed who are supported neither by unemployment insurance nor by the Reich, the situation of the states and municipalities is still unsettled in 1931. According to the estimates of the German Government, the taxes transferred by the Reich will fall off by hundreds of millions. In addition there are the great losses in taxes on trading profits, real estate and rents which must be expected as a result of the bad economic situation. The result of the decline in incomes and wages in

[53] Delivered over the German radio, June 23, 1931. Text and translation transmitted to the Department by the Ambassador in Germany as enclosures to his despatch No. 1003 of July 1; received July 14.

1931 will be that the full weight of the tax deficit will only be felt in the 1932 budgets of the Reich, states and municipalities.

An additional factor was the acute danger, which we have experienced repeatedly during the past two years, that great anxiety manifested itself following a series of economic events and that this anxiety resulted in the sudden withdrawal of tremendous numbers of short-term credits by other countries. At one blow the danger which had long since been predicted, namely, that during the years of seeming prosperity German business had been largely built up on domestic and foreign money which was either loaned for a short time only or invested in undertakings from which it could not be withdrawn from one day to the next, became manifest to its full extent. The attempt now made for the third time to withdraw a large part of these short-term credits from Germany brought on a storm, which may now be regarded as calmed. At the same time, however, this storm clearly and drastically brought before the eyes of all discerning people the fact that the economy of the whole world is interwoven, positively and negatively. It transformed the plight of individual nations, especially Germany, into a plight involving the whole world. It showed that the living standard of one nation is conditioned by the living standard of other nations. If one nation suffers severely, other nations that have business relations with it cannot in the long run maintain their prosperity.

To believe that all Germany's troubles will be at an end when President Hoover's proposal is accepted, would be the most dangerous illusion to which the German people could surrender. The German Government was obliged to adopt the rigorous measures in question to save the financial situation and must adhere to them, because even without reparation payments extraordinary exactions will be necessary in order to hold out for the next year and a half. The Government has declared that it is prepared to mitigate the hardships and especially oppressive measures of the Emergency Decree, and it adheres to its statement. But it is not in a position to allow the general financial results of the Emergency Decree to be undermined in any way. Only under guarantee of these general financial results will it be possible to balance the above-mentioned additional losses in 1932, if President Hoover's proposal is accepted.

The German people would jeopardize all the sympathetic appreciation of the world and all confidence if it did not adhere to the principle of absolute recuperation of our state finances, even if sacrifices are required to carry it out. The restoration of finances is one of the most important premises for the establishment of confidence. The proof of confidence, embodied in President Hoover's initiative, important to the history of the world, can only bear fruit if the Ger-

man people are determined to proceed by their own strength along the road of greatest economy in every field.

According to the proclamation of the President of the United States, the proposed holiday year is intended to serve not only to restore international business confidence, and consequently the economic reconstruction of the world, but its purpose is, at the same time, to free the political relations between the countries of disturbing tension and to promote and fortify a peaceful development based on determined cooperation between the states. This is necessarily a reciprocal relationship. Unless the economic and financial relations become sound, the political situation cannot become quiet, and without political pacification there can be no end to economic distress. The well-being of Europe and the world is contingent upon the resolute and far-sighted determination on both sides that those who by a tragic fate became enemies in the world war will now energetically make such resolutions as are demanded of all governments and nations by the extreme stringency of the moment. The American proposal will prepare the way to this magnificent goal, if it is accepted by the countries concerned in the same high-minded spirit in which it was offered by its author.

The German Government is prepared to cooperate with all its power in striving for this goal of the American proposal. It is sincerely determined to collaborate, on the political side as well, with all the governments in order to solve the questions which are of importance to the pacification of Europe. The greater the alleviation of the severe economic and social distress from which the German people are suffering, the more firmly and unanimously will they be prepared and competent to form a bulwark of quiet and order in Europe.

The solemnity of this hour and the responsibility resulting from it impel me to voice the hope and expectation that all those who are influential in forming public opinion will keep in mind the importance to Germany and Europe, at this moment, of moderation and self-discipline in all utterances and demonstrations of all our compatriots.

The German Government is aware that in all this the future shaping of the relations between Germany and France will be assigned a particularly important role. Though many difficulties and obstacles have shown themselves in the development of these relations, though there have been animated disputes in the press on both sides of the border, I nevertheless hold fast to the conviction that all this is not insurmountable, that, on the contrary, if there is mutual good will, ways and means can be found to bring to the fore what is of common interest to both countries and to fasten it so securely in

the minds of both nations that it will provide a guarantee of durability. For the reason that I am convinced that a really well-balanced and fruitful cooperation among the peoples of Europe and the stabilization of peace in Europe, which is necessary for an active business exchange with the New World, will only seem secure on the day that in the souls of the two great neighboring nations the past will have been overcome and their joint vision directed toward the future and its mental, economic and political shaping, for that very reason it is the aim of the Government which I lead to look ahead beyond the gloomy mood of the moment and to do everything feasible that it can answer for to help President Hoover's generous action succeed as it deserves to do and as it should do in the interest of Europe and the whole world.

The German Government for its part will not spare good will. When once agreement has been reached regarding the holiday year, all the more easily will it be possible to pave the way for peaceful collaboration of both countries by means of a straightforward discussion. I would welcome it if an opportunity presented itself for such a preliminary discussion, as the recent meeting in Chequers paved the way for a discussion between Germany and England. The tasks confronting Germany and France are too big and too urgent for both countries that it should not be possible to find a common ground, in confidential and unreserved exchange of views, from which the solution of these tasks could be attacked with prospects of success.

462.00R296/4134

Memorandum by the Chief of the Division of Western European Affairs (Boal)

[WASHINGTON,] June 23, 1931.

I called Ambassador Edge on the trans-Atlantic telephone at 7 p. m., and explained to him that an important message regarding the debt question was on the wires, and asked the Ambassador to be prepared to have it decoded at once in order that its text would be available in the morning. The Ambassador said he understood and would make arrangements immediately. He continued that he and Mr. Marriner [54] had seen Laval in the course of the afternoon, and had been told by the latter that a Cabinet meeting was to take place in the morning to prepare a reply to the United States accepting the President's proposal in principle, but stating that the unconditional portion of the reparation payments should continue to

[54] J. Theodore Marriner, Counselor of Embassy in Paris.

be paid into the International Bank. The Bank would be asked to use its judgment as to the best way of applying the amounts so paid in. They might either remain on deposit or be used to assist Germany. The Ambassador said he had sent a telegram, which we would receive in the morning, giving the details of this conversation.

Ambassador Edge added that he indicated to Laval that this counter proposal would probably not be satisfactory to the American Government. I said that our telegram to him contained a paragraph dealing with the rumored French proposal and that our attitude was negative. I told the Ambassador that he should go over our message carefully and use his own judgment as to whether to present it in writing or to take it up with Laval orally. He said it would be difficult to see Laval before the meeting, but he would use his judgment after he had received and read the text.

I also took occasion to give the Ambassador the substance of the message we had just received from Rome, concerning Mussolini's acceptance of the President's proposal,[55] and added that the text of the telegram from Rome was being repeated to him. The Ambassador said the situation in Paris was rather difficult. There is going to be a vote of confidence in Parliament on Saturday and the Government is not in a position to do very much when there is a division in the Cabinet like the one that exists at present. The Ambassador thought that under the circumstances the Cabinet would have to insist on continuing unconditional payments to the Bank in line with the French counter proposal.

In subsequently reporting my conversation with the Ambassador by telephone to the Secretary at Woodley, I pointed out that the French counter suggestion appeared to contain possibilities of a way out by which the French Government could be permitted to save its face with its own people.

PIERRE DE L. BOAL

462.00R296/4090a : Telegram

The Secretary of State to the Ambassador in France (Edge)

WASHINGTON, June 23, 1931—7 p. m.

268. 1. We think you ought the first thing tomorrow morning to make clear to the French authorities that the President considers that anything short of a clean sweep and postponement of all intergovernmental payments for one year will not accomplish his purpose. This is the restoration of public confidence throughout the world which is today of such vital importance; nothing short of the accomplishment

[55] See telegram No. 105, June 23, 8:30 p. m., from the Ambassador in Italy, p. 221.

of such a major purpose would justify him asking the American people to make the largest sacrifice of all nations involved in such postponement.

2. It has not been suggested that there should be any change in any international agreement either in relation to our debts or to reparations—only that the application of the agreements shall be suspended for 1 year; that such contracts being in full force and effect, payments would be resumed at the end of the year in the normal fashion. We cannot see the validity of the contention that the agreements in any fashion are destroyed by failure to maintain current payments, and obviously if the French wish to require it, all parties should confirm the fact that the agreements are in no way invalidated by the postponement.

3. We have not developed the method by which postponed amounts would be refunded.

4. If the President's proposal of the 20th is not accepted it will, of course, be withdrawn, and the Germans will unquestionably make the necessary postponements of all conditional payments as provided under the Young Plan. The result will be that France will receive her proportion of the unconditional payments, amounting, on our calculations, to a maximum of 441,000,000 Reich marks or $110,000,000. She would, of course, be obligated to make her payments to the United States and to Great Britain under her agreements with them. The payments to the United States in the next fiscal year amount to $50,000,000 and it is our understanding that they amount to $60,000,000 to the British Government. The net result would be if the President's plan is withdrawn that France would have no net returns during the year anyway. It may be possible that France would make deferments of part payments under her debt agreement with us and the British, but the non-postponable payments to us and the British even after such deferments would be $50,000,000, so that after having turned down the President's plan and returned the world to panic, the net result of her having herself declared her inability to meet the full payments to the United States and Great Britain would be only $60,000,000. Another calculation based upon an interpretation of Annex VIII of the Young Plan would indicate that in case Germany defers all conditional payments France would receive only $62,000,000 instead of $110,000,000 above mentioned and her situation would be that much worse.

5. If France should insist on receiving her share of unconditional payments, directly or indirectly, it is inevitable that all other creditors entitled to unconditional payments must make a like reservation. The net result would be that the only contribution passed on to Germany would be the contribution made by the United States Government, and the American people would be the only ones who would be asked to pay the price of relieving an economic crisis in Europe which is of more

concern to the French people than to our own, as there are no possible social contagions or revolutions or other disturbances in Germany that can possibly affect the United States, whereas they can in a major degree affect the tranquillity and economic security of France. No American administration could possibly entertain any such proposal.

6. The suggestion in the press attributed to French sources that the unconditional reparations be collected in Germany and reinvested in Germany by the Bank of International Settlements is equally impossible. It would not give budget relief in Germany. It would be considered simply a subterfuge by our Government. Any such plan would imply that a corresponding amount of the debts to the United States would be reinvested in France and other countries during the years and the whole plan becomes a negation of the President's proposal and loses its entire world effect.

7. The President's plan was evolved after consultation with the leaders of both parties in the House and Senate. He was only able to secure their adhesion by an undertaking on his part that this would be a complete, clean sweep of all intergovernmental debts, and any breach by which this would be negatived will necessitate the withdrawal of the plan because of his undertakings made here.

STIMSON

462.00R296/4067 : Telegram

The Ambassador in France (Edge) to the Secretary of State

[Paraphrase]

PARIS, June 24, 1931—3 a. m.
[Received 8:40 a. m.]

343. I visited the President of the Council late this evening with the ostensible purpose of explaining that France had been the first informed of the decision when taken, as stated in your telegram No. 332 of June 21, 11 p. m. [*No. 265 of June 22, 7 p. m.?*] Laval fully realized this fact and the circumstances that brought about the premature announcement, and he issued, as we left, a communiqué on this phase of our conversation.

The French Government had the will, the desire, and the parliamentary authority, Laval said, to associate itself with the President's proposal, so far as it concerned conditional annuities, but the French Government could not, he added, renounce the unconditional annuities which were destined for rehabilitating the devastated regions. He did not consider that Germany should be relieved of all its outpayments in totality, since he questioned whether the usage to which the sums thus gained might actually be put would be welcome either to France or to the United States, namely, (1) armaments; (2) com-

petition amounting to dumping; and, (3) exploitation of the countries to the east.

The reply which the Council of Ministers will approve tomorrow, he said, will be along the lines which Berthelot predicted in yesterday's conversation, reported in my telegram 334 of June 22, 4 p. m., a cordial accord containing the principle of postponement and a reservation as regards the question of unconditional payments. Laval felt this was a far better answer than was probably expected by the Germans.

The Prime Minister said that the sums received for unconditional annuities might be paid by France into the Bank for International Settlements and that loans or credits could be made from these as at present according to the needs of any states, including Germany and others, as Austria, for instance. As to the acceptability of this proposal I told him that I could make no promise but indicated that I was sure that no French Government could hold out in the face of a united world movement if its proposal were not acceptable. Furthermore, I pointed out that the initiative of the United States had left out of the count these legal distinctions, that the sacrifice of the payments due us did not rest on technical considerations and that it was intended to bring about a better world condition which would obviate all doubts of this nature. The President of the Council agreed cordially with the high purpose and associated himself with it, but was afraid that to attain the ends proposed a one-year delay might not be long enough. He seemed very sure of his position and of the support which his Government might reckon on in Parliament, in view of the fact that the Socialist opposition had passed resolutions of almost identical tenor this afternoon.

Social gossip in Paris anticipates that the Government will fall on this issue on Friday, but Laval insists that his Government's action is based on the best interests of France and the world and not on a desire to remain in power.

EDGE

462.00R296/4086 : Telegram

The Ambassador in France (Edge) to the Secretary of State

[Paraphrase]

PARIS, June 24, 1931—5 p. m.
[Received June 24—4 : 46 p. m.[56]]

351. At 12 : 45 the meeting of the Cabinet Council closed and Laval asked me to come in at 3 : 30 so that he might give me the text of the

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[56] Telegram in two sections.

French reply to the President's proposal. This reply is now being officially transmitted by cable to Ambassador Claudel. Laval read the reply to me. He expressed his appreciation for the frank opinions of President Hoover transmitted in the note on this subject which he had received this morning during the meeting of the Cabinet Council and which had been considered by his colleagues and himself. The reply is more conciliatory in tone than our previous information as to the French viewpoint, although it does not alter materially the proposition outlined by Berthelot (see my telegram 334 of June 22, 4 p. m.) and the Prime Minister's proposition of last night (see my telegram 343 of June 24, 3 a. m.). Laval, however, wished to add one principal idea at this time: in view of the radio talk by Bruening yesterday afternoon in which he expressed his desire to consult the French as soon as possible, Laval has asked Briand to see Ambassador Von Hoesch this afternoon so that the German Government may be informed that the Prime Minister and the French Government will be most happy to see the German Chancellor in Paris as soon as possible.

Laval emphasized that he felt that this initiative was precisely in agreement with the wishes of President Hoover. I drew the inference that Laval rather hoped that no final decisions on the moratorium matter would be taken until there should be time for results from this plan for direct conversations with German representatives, provided that the talks take place without delay.

The text of the French note will not be given to the press before 3:30 on Friday when the interpellations will take place. The Prime Minister sincerely hopes that the press will receive no information before that time as the French Parliament is highly sensitive on this matter. Laval again pointed out that of course he could take no steps without the full approval of the French Parliament since the Young Plan had been accepted by passing a statute and any changes in it would necessarily follow the same process.

I told Laval in confidence that Secretary Mellon would go through Paris in a private capacity on Friday on his way to Cape Ferrat and the Prime Minister requested the pleasure of the company of Mr. Mellon at an informal luncheon for a small group at 12:30 that day. Laval will also invite the Minister of Finance, the Minister of Budget, the Minister for Foreign Affairs, Marriner and myself. I think that although Laval realized that Secretary Mellon's visit was not for purposes of [omission] he was nevertheless happy for the sake of public opinion in France to have this chance for a conversation.

EDGE

462.00R296/4137

Memorandum of Trans-Atlantic Telephone Conversation[57]

[WASHINGTON,] June 24, 1931.

BOAL: Mr. Edge, this is Boal. The Secretary wants me to get from you a dictation of the message which the Cabinet framed this morning for our Government on reparations.

EDGE: I have not got the text of that message here. It is at the Chancery. But I was present when it was put on the wire this afternoon at 2:00 o'clock, French time, to go to Claudel, who is supposed to deliver it at once. You should have it in about an hour. The message I have at the Chancery is in French.

BOAL: That is all right. You can read it to me in French and I can take it in French.

EDGE: All right. I will put in a call for you at the State Department. You should, however, receive the message from M. Claudel at 3:30 this afternoon. While you know the reply, nevertheless it is considerably more conciliatory in tone than the project under discussion.

BOAL: It is more conciliatory in tone?

EDGE: There is also another element which has been introduced into it from Germany, that we have wired you fully about and which will be interesting. They have asked the German Prime Minister to come to Paris and talk to them and then confidentially Mr. Mellon is coming over tomorrow, not of course, for the purpose of negotiation or anything of that nature, but his presence here will be useful.

BOAL: When will the Germans be in Paris?

EDGE: There has been no definite engagement made, of course. The Council this morning asked Bruening to come over as soon as possible. That request was in answer to Bruening's broadcast which you must have in the United States. Do you know about that?

SECRETARY: Mr. Edge, this is Mr. Stimson on the wire.

EDGE: That may be just one of their excuses. That is about all I can say now. There is nothing else I can tell you.

SECRETARY: In what respect was the message more conciliatory?

EDGE: Well, for example, it did not say that they would not consider a compromise, but hoped that you would understand that the only reason for not agreeing *in toto* with the President's proposal was what they termed the legal obstacle to the unconditional payments which would mean a deviation from the agreements and accordingly from the Young Plan. They, of course, are in the position of having Party opposition and of having the proposal, which they present in their note, passed unanimously in the Council, with all practically

[57] Between Mr. Edge in Paris and Mr. Stimson and Mr. Boal in Washington.

supporting their present position, and they point out in their note the angle that they are in; that is, in the same position that we are but reversed, or that we are with Congress supporting the President's proposal. Their Parliament still has to pass on it and is inclined to oppose it.

There isn't anything in the note that removes the demand for the unconditional reparations to go to B. I. S. for distribution.

SECRETARY: Does it leave a possible ground for negotiations?

EDGE: Yes.

EDGE: That's all.

SECRETARY: The only avenue of escape that I see at the present moment would be to have those unconditional annuities deposited with the B. I. S. as security.

EDGE: That is about what their proposal amounts to.

SECRETARY: No—their proposal—is that they should be deposited with the B. I. S. for use for relief of other European nations. That means the Little Entente.

EDGE: That is right but the directors of the Bank would decide.

SECRETARY: No, the only thing that we see that would be possible would be . . .

EDGE: This could probably be helped. I am sure of that fact, Mr. Secretary, as the final conclusion of my own reaction. I had half an hour this afternoon following the Council meeting with Laval.

SECRETARY: You have been talking with Laval?

EDGE: I was with Laval an hour ago. He gave me a copy of the note and we talked it over again. He is extremely anxious that there should be no withdrawal and his statement to that effect is in the telegram which is now on the wire. They hope there will not be any opposition at all to this agreement. I gave him practically the full text of the President's statement in the telegram we received this morning.[58] And we had it translated in French and it was delivered and read to the Council of Ministers. That is all, Mr. Secretary, unless there is something you want to ask me.

SECRETARY: Only, I was cut off while you were telling me of the talk with Laval. Did that indicate that he was desirous of keeping the door open for negotiations?

EDGE: He read your telegram this morning. He was very fearful of a withdrawal and hopes you will understand their political situation. They are just as nervous as cats at the moment and the only thing to do is to wait for the Parliament action on Friday.

SECRETARY: They are very likely to get a withdrawal if they are not careful.

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[58] Telegram No. 268, June 23, 7 p. m., p. 55.

EDGE: Don't think for a moment that I haven't told them that a withdrawal was likely.

SECRETARY: But we are trying to save their face.

EDGE: Nevertheless this German thing is interesting and I think a respite for 24 or 48 hours would perhaps be the best thing as near as I can see if there is anything in getting the Germans over here after all is said and done.

SECRETARY: Just hold on a minute. Can you tell me from memory what the note said in regard to the repayment by the B. I. S. of the money deposited with them. When was that to be done? I am anxious to know what their reply says in regard to the time when the money which they asked to have deposited with the B. I. S. is to be paid out again by that bank—one year, two years, three years, or what?

EDGE: They haven't as yet informed me of that. It is all in French, but as I recall it (we read it simply without writing a translation and I can't be accurate) but as I recall it it did not have any very definite plan. That money might be used for the purpose of relief. They should be willing to compromise on the distribution of the money. But I do not consider that that was specified in the note.

SECRETARY: Get the note and telephone it to Boal.

EDGE: It is his opinion that they are . . .

SECRETARY: They would do what about the distribution?

EDGE: They would compromise on the distribution of unconditional payments.

SECRETARY: Well, you get the note and telephone it. Goodbye.

462.00R296/4106

The French Embassy to the Department of State [59]

[Translation]

The French Government has examined with keen interest the proposal of the President of the United States and declares itself in cordial agreement with the lofty sentiments which have inspired that proposal.

The French Government more than any other is desirous of seeing affirmed, in action for the economic reconstruction of the world, a solidarity with which it has always been inspired, both in accepting the successive reductions in the German debt and in executing in advance the evacuation of the third Rhineland zone in exchange for a complete and definitive settlement of the program of reparations decided upon at Geneva, September 16, 1928.

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[59] Translation supplied by the editors. The original bears the notation, in English, "Text of French Note—June 24, 1931."

It desires to emphasize before world opinion the extent of the new sacrifice which is asked of France after all those to which she has already consented.

In response to President Hoover's proposal, the French Government is prepared to ask the French Parliament, whose intervention is indispensable and whose decision is sovereign, that France provisionally, and for a period of one year, forego the retention of any payment made by the Reich.

But, in view of the character of the freely accepted and recently signed engagements of the Young Plan, the solemnity with which was recognized the definitive and nonpostponable character of the unconditional annuities which express the permanent necessity of the principle of reparations, there would be great risk of shaking confidence in the value of signatures and contracts, and thus of proceeding contrary to the aim in view, if in the proposed suspension of payments the nonpostponable annuity should be treated like the conditional annuity.

The French Government emphasizes, in particular, that a formal assimilation has been established between the private debts of the Reich (Young and Kreuger loans) and the unconditional annuity not yet mobilized.

To suspend the payment by Germany of the unconditional annuity while permitting that the Young loan disposed of to the public should continue to be serviced, would go directly against a fundamental principle and express stipulations.

The Government, therefore, considers that there is a moral interest of the first order in not postponing in any way the payment of the unconditional annuity, even during the period contemplated by President Hoover.

The French Government, being desirous of collaborating fully in every effort made to attenuate the consequences of the present crisis, believes that it should point out, in the very interest of the success of this effort, that the mere general suspension of payments would furnish an inadequate remedy. The dangers now threatening German economy and more generally, European economy, have another origin and are especially due to important restrictions of credit and withdrawals of foreign funds. The solution of the German crisis, therefore, does not appear to lie only in the diminution of the charges on the budget of the Reich but in an extension of credit.

That is why the French Government declares its readiness, subject to the approval of Parliament, to place at the disposal of the Bank of International Settlements a sum equal to its share for one year of the nonpostponable annuity with the sole exception of the amounts necessary to the execution of the balances of the current

contracts for payments in kind, a proceeding which, moreover, is advantageous to Germany economy.

In making this proposal, the French Government expects that the other beneficiaries under the Young Plan will adopt the same decisions and it even hopes that other measures may be taken to favor the beneficial restoration of credit and confidence in the world.

The sums thus turned over to the Bank of International Settlements could be utilized at once for improving credit in Germany as well as in countries of Central Europe, and especially those in which the suspension of the execution of the Young Plan during one year might create financial or economic disturbance. It goes without saying that the amounts so employed would again become available at the expiration of the period of one year contemplated as the limit of the provisional suspension of the Young Plan.

The French Government also believes that all necessary precautions should be taken in order that these sums as well as those to be derived from the easing of the budget of the Reich as a result of the suspension of the Young Plan payments for one year may only be used for economic purposes, all danger of financing of dumping being eliminated.

Lastly, it will be advisable to contemplate before the expiration of the period of one year an examination of measures to be taken by Germany for the resumption of her payments.

The proposals of the French Government and the adjustment, which will be suggested by the application of the American offer and which will necessarily be the subject of a subsequent exchange of views, thus appear to be perfectly compatible with the dominant idea of President Hoover's proposal.

In placing at the disposal of the Bank of International Settlements, on the conditions contemplated above, her part in the unconditional annuity, France is deprived, during the suspension period, of what had been allotted to her on account of the charges which she has to meet for the reconstruction of her devastated regions.

Without wishing to insist on the difference between the sums which she has received and the sums which she should have received, France recalls that the amount of her public debt is about four times that of the debt of the Reich and that her effort at financial restoration carried on and accomplished by her own means barely four years ago should not be endangered.

The French Government can, therefore, affirm the solidarity of the French Republic and of the Republic of the United States at the moment when, faithful to their traditions, the two countries are cooperating in precautionary measures in a crisis which is considered grave. They have a right to hope that a response will be made to

their international good-will, by respect for treaties, and by the restoration of confidence between peoples, on which the future of peace depends.

BRIAND

462.00R296/4110b : Telegram

The Secretary of State to the Ambassador in France (Edge)

[Paraphrase]

WASHINGTON, June 24, 1931—3 p. m.

273. I would like to know when France will expect to get back from the Bank for International Settlements the funds which the Bank would advance under the French proposal to other European countries out of the unconditional payments made by Germany to France and transmitted by France to the Bank. This is in confirmation of the inquiry which I made on the telephone this morning. Please cable me urgently when you have acquired this information.

STIMSON

462.00R296/4110f : Telegram

The Secretary of State to the Chargé in Great Britain (Atherton)[60]

[Paraphrase]

WASHINGTON, June 24, 1931—8 p. m.

184. You are requested to see that Secretary Mellon receives the following telegram before taking the train on Thursday morning for Paris:

[From Mills.] The following paragraphs represent the President's views and mark the limits beyond which he is not desirous of proceeding. He has requested that I submit them to you.

(*a*) It is presumed that you have already read the note addressed to the United States by the French Government. Should this not be the case, request a copy of it from Lacourgailett [*Lacour-Gayet*].[61] Mr. Hoover is surprised and disappointed that the Government of France has not accepted his broad and comprehensive proposal, which, in the present emergency, he is of the opinion is the one demanded and under the circumstances the most beneficial to all nations. In your conversations with the French Ministers the President is desirous that you urge this point of view as strongly as

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[60] The same message was sent to Paris in Department's No. 275, June 24, 8 p. m., for delivery to Mr. Mellon (462.00R296/4110g).

[61] Robert Lacour-Gayet, Director of Economic Studies of the Bank of France.

possible, and wishes you to call the attention of the French to the advantages which would accrue to them as well as to the other European countries should they respond to this Government's offer in the spirit in which it was offered and without bringing up the technical questions which the Young Plan includes. I suggest in this connection that you read the statement made today in the House of Commons by Chancellor of the Exchequer Snowden.[62] The administration hoped that the French response would be of an analogous nature. There is a possibility that the administration may be unable to obtain congressional support on any proposition which varies from the original. We telegraphed Edge our opinion of this yesterday and would like for you to read that cable.[63]

(*b*) Aside from its failure to accept our proposal, the French proposal as embodied in their note of June 24 to the American Government is from our point of view in two respects fatally defective:

1. This proposal provides that the unconditional payments which are to be suspended for 1 year and which may be loaned to Germany and other countries by the B. I. S. must at the expiration of the period of suspension be paid to the creditor nations, that is, assuming that the suspension of unconditional payments is from September 1931 to September 1932, in the period 1932–33 the amount suspended would have to be paid. Thus the creditor nations would be receiving two payments in the second year. Such a proposition contains no element of relief to Germany. On any such basis as this the American Government is not prepared to postpone the payments due it. The President would be compelled to withdraw his proposal should the French insist upon this point.

2. The amounts deposited in the B. I. S. are to be available for loans to Central European countries as well as to Germany under the French proposal. If the proposal is to receive any consideration by us we are of the opinion that they should be available to Germany exclusively. It may be necessary to make certain adjustments to take care of the situation in some of the smaller countries, but it goes without saying that this is obviously a matter of detail to be given due thought when the technical phases of the whole problem are under consideration.

(*c*) You should go the limit in endeavoring to persuade the French to accept our original proposal, but if you find this impossible you are authorized to suggest that if France will modify its position to one of the following two plans which I shall designate as Plans A and B, the President would consent to discuss the question with party leaders, but beyond this it is impossible for him to go. In other words, these two plans should be understood to represent the maximum limit which the administration could attempt.

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[62] *Post*, p. 205.

[63] No. 268, June 23, 7 p. m., p. 55.

Plan A. The unconditional annuities to which France and other creditors are entitled are to be entered to their credit at the B. I. S. when they fall due, but the B. I. S. will be instructed to reloan those funds in the form of a loan repayable by installments over a 10-year or some such period to Germany. Under this plan the real effect would be to relieve Germany of all payments as absolutely as if the unconditional annuities accruing during the forthcoming fiscal year were funded over a period of 10 years. Having the payments cleared through the B. I. S. in this fashion will be of advantage to France and the other unconditional creditors in that the terms of the Young Plan are strictly and technically observed in so far as they apply to unconditional payments, and the French claim is directly recognized that these payments can under no circumstances be suspended or subjected to postponement. Strict compliance with the terms of the Young Plan is in no way vitiated by the fact that they are reloaned by the creditor governments as a voluntary act. This would constitute no charge on the German budget, as it is understood that the deposits would be made from the railway payments.

Plan B. For the year beginning September 1, 1931, and ending September 1, 1932, Germany will pay for the account of the creditors entitled thereto the unconditional annuities in reichsmarks to the B. I. S. This deposit will be held in escrow by the B. I. S. to be applied to the satisfaction of the unconditional payments which shall fall due within the year 1932–33. Germany will again make the unconditional payments in reichsmarks in the year 1932 to 1933 which will be due the following year, and that deposit will be in turn held in escrow for a year—thus until the end of the payment period the process will be repeated year by year. The acceptance of this proposal would really result in the suspension for 1 year of the receipts by the creditor nations of all unconditional annuities and would extend for 1 year the total period of payment. Germany, to be sure, would be called upon this year to supply the necessary funds, but, as the charge on the railroads is adequate to meet unconditional payments, this would not constitute a drain on the German budget. Since the payments would be made in reichsmarks, there would be no strain on the exchanges for a period of 12 months. The loan of the funds on deposit by the B. I. S. to Germany would further alleviate the situation there. As in Plan A, the payments would be made from the railway contributions.

(*d*) In fixing the period over which the nonpostponable annuities that are suspended under the terms of our debt agreements are to be repaid, you should make it very clear that this will be governed by the repayment period during which the suspended unconditional annuities are to be paid back. As an illustration, if France insists that the suspended unconditional annuities must be repaid within a period of 5 years then the nonpostponable annuities due the United States in its debt agreement with France will, if suspended, have to be repaid within a 5-year period. It is the opinion of Dwight Morrow [64] that the Senate will not consent to any program which grants more liberal

[64] Senator from New Jersey.

terms to France by the United States than France is willing to grant to the German Government.

(*e*) A difficult problem is presented by the payment of reparations in kind. Neither Germany nor the creditor nations, we presume, would desire that existing contracts be disturbed in any way. This is one of the technical questions, we realize, which should be dealt with in later negotiations, but we must insist, in principle, that all payments of reparations in kind made during the suspension period shall diminish Germany's unconditional payments by those amounts and shall be credited to her unconditional payment account.

(*f*) On Friday Chancellor Bruening is to be in Paris, we understand. That you learn from him just how far Germany is willing to go to meet the French demands we consider most desirable. However, until you have communicated with us again, we do not deem it advisable that you acquaint the Germans with our position in the matter. Mills.

STIMSON

462.00R296/4124

Memorandum by the Secretary of State of a Conversation With the French Ambassador (Claudel)

[WASHINGTON,] June 25, 1931.

The French Ambassador called and asked me if I had received the French note and had any objections to it. I told him I had two very serious objections—one was the proposal to have the suspended payment paid the following year, and the other was the proposal that the payment when deposited in the B. I. S. by Germany should be paid out for the benefit of other nations than Germany herself. I sent for the note and pointed out the provisions. He asked if those were not minor objections. I said no, they were serious and would not be acceptable; that the purpose of Mr. Hoover was to give complete relief to Germany for one year and that it would not be such relief if she had a double payment overhanging her at the end of that year, nor would it be relief if her money went to other nations. He assured me that while he was speaking for himself, he was certain that those two points were minor and incidental and would not be insisted upon by his Government. He said the central point of the French note was the payment to the B. I. S. He asked whether I had any objection to that. I asked him if the purpose of that payment was not merely to preserve the integrity of the Young Plan, and he assured me that it was. I said, well if that was so the purpose of the French note did not differ from Mr. Hoover's purpose, for we were just as anxious to preserve the integrity of our debt settlements, but that there might be objection to this method of achieving that purpose.

I then sent for Mr. Mills, who was in the next room, and asked him to explain our objections to the Ambassador, and he pointed out that this method of the depositing of suspended payments in the B. I. S. and crediting it back to Germany, while perfectly simple and feasible if only France and Germany were concerned, became very complicated and unworkable in view of the large number of other debt arrangements to which it would have to be applied in the actual case. I said, for instance, that we had no less than ten debt settlements of various kinds ourselves and an attempt to provide a harmonious system of deposit in all of them would be practically impossible.

Mr. Claudel repeated his assertion that the only purpose of the French was "to secure the integrity of the Young Plan and guarantee German good faith." Mr. Mills said that if that was the only purpose, he felt sure that we could work out a method of securing that purpose which would be workable, although he was not prepared now to state it.

We told Mr. Claudel that Mr. Mellon was to meet M. Laval in France tonight and they would discuss the whole matter. He asked whether Mr. Mellon was authorized to settle it and we told him no; that he was authorized to discuss it and report it to us. He took this down very precisely and said he would convey it to his Government.

In the course of our conversation, before Mr. Mills came in, I read the Ambassador a telegram which Senator Borah [65] had sent to the President saying that he would not support the President's proposal if it was modified so that Germany did not get the full benefit of the suspension.

H[ENRY] L. S[TIMSON]

462.00R296/4111 : Telegram

The Ambassador in France (Edge) to the Secretary of State

[Paraphrase]

PARIS, June 25, 1931—4 p. m.
[Received June 25—2 : 10 p. m.]

352. The Italian Ambassador to France, Count Manzoni, who since Italy has accepted the President's proposal naturally desires to be helpful, made a suggestion today which I am forwarding for your information. He expressed his concern as to whether the French reply to President Hoover's statement would be upheld tomorrow in the French Chamber of Deputies since in some quarters even this suggested compromise is opposed. So far as I am concerned, and based upon other information received by us and the much more sympa-

[65] William E. Borah, Chairman of the Senate Foreign Relations Committee.

thetic attitude of the French newspapers today, I would be indeed surprised if the Government's reply was not accepted. Nevertheless, if the Laval Government should be overturned any government following it would of course be more hostile. However, Count Manzoni believed that it would be helpful to Briand and Laval in defending their position from the expected attacks if they possessed an acknowledgment from President Hoover of the note which they delivered yesterday. The answer would not need to go into detail but could merely restate the importance of a final understanding between France and the United States and indicate that the United States is ready to make every possible effort consistent with their policy to reach a practical understanding in the interest of the economic solidarity of the world. I repeat that I am sending this suggestion to you simply for consideration, for I assume that some informal reply will be made to the note even before the details are fully discussed.

Similarly the British Ambassador, Lord Tyrrell, in talking over the situation with me last night emphasized in strong terms the need for patience at this time and until the French Parliament has taken action.

EDGE

462.00R296/4111 : Telegram

The Secretary of State to the Ambassador in France (Edge)

WASHINGTON, June 25, 1931—8 p. m.

287. You may inform the Foreign Minister as follows:

The American Government appreciates the cordiality of the French Government's response to the President's proposal. It hopes the French Government will take advantage of the presence of the Secretary of the Treasury in Paris and discuss with the Ambassador and with him all of the problems arising from the original proposal of the President and the French answer. The Ambassador and Mr. Mellon are fully advised as to the views of our Government.

STIMSON

462.00R296/4113 : Telegram

The Ambassador in France (Edge) to the Secretary of State

PARIS, June 25, 1931—11 p. m.
[Received June 25—9 : 57 p. m.]

357. Your telegram numbered 273, June 24, 3 p. m. The President of the Council wished to consider the answer to your question himself and consulted with the Minister of Finance and Minister of Foreign Affairs this afternoon. The Foreign Office has just given us the following answer:

"The continued payments by the Reich would be made to the Bank of International Settlement, as under the present arrangement, on the 15th of each month, by twelfths, in currency other than reichsmarks.

According to the understanding of the French the creditor powers, who by the terms of the Hague Agreements [66] are beneficiaries of the allocations from the unconditional annuities, would immediately be credited with the amount of these sums, but the corresponding accounts would be blocked until the end of the period of suspension, each power thus retaining its rights inviolate, but suspending the exercise thereof. On the other hand, the Bank of International Settlement would have the privilege of using immediately the currency received, in practice on the very day of its receipt, for the credit operations that are considered necessary.

By asking that the corresponding currency should again be made available upon the expiration of the period of suspension, the French Government does not conceal from itself in any way that there can be certain practical difficulties of application; but in its opinion these difficulties would not seem to be unsurmountable, and, moreover, President Hoover's proposition itself, from a practical point of view, contains certain unknown factors at the time of putting the agreements again into force at the expiration of the period of suspension."

EDGE

462.00R296/4138

Memorandum of Trans-Atlantic Telephone Conversation [67]

[WASHINGTON,] June 25, 1931.

MR. BOAL speaking: Hello!

We sent you a telegram yesterday for Mr. Mellon.[68] You got it I suppose. You have it, well it's cancelled. We are sending another one now for him. Has he arrived yet?

MR. MARRINER: Yes, he is reading the telegram now which arrived this morning.

MR. BOAL: All the action outlined in the one he has is cancelled.

MR. MARRINER: All right.

MR. BOAL: Is there anything new in the situation now?

MR. MARRINER: We sent a telegram asking for some information this morning about the time element. It is very important to have accurately the time of this thing. We have asked the Minister of Finance and Minister of Foreign Affairs about this.

MR. BOAL: You haven't got any answer?

MR. MARRINER: Not yet.

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[66] Great Britain, Cmd. 3484, Miscellaneous No. 4 (1930): *Agreements Concluded at the Hague Conference, January 1930.*

[67] Between Mr. Mills and Mr. Boal in Washington and Mr. Mellon and Mr. Marriner in Paris.

[68] See footnote 60, p. 65.

MR. BOAL: It makes a great difference in whatever can be worked out.

MR. MARRINER: The Prime Minister himself is taking charge of the whole thing in Parliament tomorrow.

MR. BOAL: For your information the Belgians also have been asking questions. They seem to be very worried about what they are going to do.[69]

MR. MARRINER: And another thing. Have you got all of our telegrams now?

MR. BOAL: I don't know. I have all that came in this morning.

MR. MARRINER: That includes the one of the conversation with Laval of yesterday afternoon.[70]

MR. BOAL: Yesterday afternoon? No, I haven't seen that.

MR. MARRINER: A conversation yesterday afternoon—the one in which Laval asked us all to invite Mellon over?

MR. MARRINER: When is the Secretary sailing?

MR. BOAL: We don't know.

MR. MARRINER: Mr. Mellon wanted to know.

MR. BOAL: If he should sail on Saturday, his schedule will remain the same, but it is very dubious whether he will sail Saturday. It all depends on this situation.

MR. BOAL: When is Mr. Mellon going to see anyone over there?

MR. MARRINER: Tomorrow noon.

MR. BOAL: I want to be sure of the time.

MR. MARRINER: He is lunching with the Prime Minister tomorrow noon, but is seeing no one tonight.

MR. BOAL: They may want to get something more to him and I just want to be sure of the time. He's not going to see them before then.

Now, there's a rumor here that the French have not yet asked the Germans to come.

MR. MARRINER: The rumor is here that they haven't and they aren't going to until after Friday.

MR. BOAL: The Germans are not coming on Friday and you don't know yet whether they've been asked?

MR. MARRINER: It's not decided yet.

MR. BOAL: You think they will. Mr. Mills wants to talk to Mr. Mellon. Right here. Hold the 'phone.

MR. MILLS: Is that you Mr. Mellon? I suppose you got that message in London this morning. We want to withdraw those two plans—A and B—we suggested in that message. We gave you two plans in that message. We want to withdraw both those plans—A and B.

MR. MELLON: You want to withdraw those?

MR. MILLS: And we are sending you another cable here now with

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[69] See pp. 175 ff.

[70] See telegram No. 351, June 24, 5 p. m., p. 58.

our new suggestions and if you discuss anything with those people tonight do it entirely on the basis of our original proposal and then after discussion with them, advise us as to how you look at the situation.

MR. MELLON: Discuss it on the basis of the original proposal?

MR. MILLS: Yes.

MR. MELLON: And without any approval or acquiescence in the idea of the B. I. S.?

MR. MILLS: Without your making any suggestions at this time.

MR. MELLON: Without making any further suggestions and then—

MR. MILLS: And then we would like to have your advice in the morning on the basis of the discussions with them.

MR. MELLON: I am not going to get very far if I can't fall back on any alternative.

MR. MILLS: But you will see them again tomorrow.

MR. MELLON: Yes.

MR. MILLS: I think it is all right to discuss alternatives but we would not like to make any commitment until we know what you want to do. Another cable which we are sending you now—I am elaborating that plan which I worked with Gilbert [71] and which referred to a deposit as an evidence of good faith and I personally think that that is the most hopeful solution and Gilbert thinks so too, and I am sending you in a cable a complete memorandum covering that and I think if you could discuss the whole situation with them tonight, insisting as strongly as you can on the original purpose [*proposal?*] and advise us in the morning. I think that is the best you can do right now. The telegram will begin coming in two hours from now.

MR. MELLON: I have all that. I have just been in Paris a very short time, but am familiar with what has gone back and forth. I was going to say that I am pretty well content that nothing can be accomplished without some definite offer from us, but I will discuss the broad plan of the President's proposal. What does he propose to do about A or B?

MR. MILLS: Plan A is very bad. A is very bad because the President insists on tying it up to all our debt agreements. So I think you better forget A. I think B is very good. I think A is so complicated that we better drop that for good, if it is tied up to our debt agreement. I think B has considerable promise, but I think that Gilbert's deposit plan is the best of all.

MR. MELLON: I will find that out from Lacourgaillet [*Lacour-Gayet*].

MR. MILLS: Well, that is the one I discussed with Lacourgaillet more. You will get more details in this cable.

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[71] S. Parker Gilbert, Agent General for Reparation Payments, 1924–30.

MR. MELLON: Well, but I talked pretty fully with Lacourgaillet. I don't recall what that is.

MR. MILLS: I am afraid he did not understand it. In any event I am giving you that plan in detail in this cable. Now you understand the President's position is that what he would like would be to get a full discussion by you of his original proposal and any suggestions that they would care to make. Then he would like your advice without making any commitments until he has the benefit of your advice.

This for your further information. We got a telegram from Borah this morning saying if the French plan was accepted he must withdraw his support so that I think that puts plan "A" right out even if there were no objections.

Now I think we are all clear aren't we? And I am available at any time if you want me.

MR. MELLON: I am doubtful that it is within the range of possibility to come to any conclusion without something like A or B or some modification in that message.

MR. MILLS: I agree with you, but I think that B or the new plan is the one that is better. I think A is too complicated if we tie our debts to it.

MR. MELLON: It would seem that they could grasp it better.

MR. MILLS: I think B might be acceptable and I think the plan I am cabling you now would be acceptable, but the President doesn't want you to make any suggestions until you have heard everything they have to say and then advise us.

MR. MELLON: We must remember that they are in a difficult position in view of the questioning in Parliament on Friday and may not want to make any definite statement.

MR. MILLS: It seems to me that they could say that you are in Paris and they are continuing discussions with you and that will permit them to get by.

MR. MELLON: I think I have a pretty full grasp of it all.

MR. MILLS: That's all.

462.00R296/4121b: Telegram

The Secretary of State to the Ambassador in France (Edge)

[Paraphrase]

WASHINGTON, June 25, 1931—noon.

280. For Mr. Mellon from Mills.

1. After further consideration the President wishes to withdraw Plans A and B which were suggestions contained in our cable of June 24.[72]

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[72] See footnote 60, p. 65.

2. More precisely, we are convinced that Plan A is completely unworkable, especially since the repayment period of the nonpostponable portions of the sums due this Government under its debt agreements would need to be related to the repayment period of the suspended unconditional annuities of the reparations agreements. This would be altogether too cumbersome and complicated. In addition, any reloaning proposition of the nature suggested by the French Government is unworkable, so intricate is the whole structure of the Hague Convention as it relates to the unconditional payments and the various agreements between the creditor countries.

3. I shall appreciate your giving us the benefit of your views on Plan B, in which I still think there is some merit. You will understand, however, that neither plan is to be suggested to the French.

4. The President would like to have you discuss his original proposal with the French negotiators and then, after a full discussion, make any suggestions you care to and give him the benefit of your appraisal of the situation.

5. You should point out to the French that the President's proposal was intended to preserve the integrity of existing agreements and not at all to lead to their collapse; that the American Government is just as concerned in maintaining its debt agreements as the French Government is in preserving the integrity of its own debt agreements. You should indicate, in the second place, the great value that there is in a comprehensive and easily understood proposal, and thirdly, that the people of the United States cannot be expected to make sacrifices to the extent demanded of them if other nations are unwilling to make sacrifices of a similar character, even if the amount given up by them is less than the amount sacrificed by us. In the fourth place, you should point out that the American proposal was issued only after a very great number of leaders of Congress scattered throughout the whole country had been consulted; that we were authorized by them to make a simple, definite proposal to the leading creditor countries; that any considerable modification of that proposal would of course mean a violation of the agreement which we reached with them, a forfeiture of their support, and the consequent impossibility of securing the required legislation in December. This factor is very serious. By way of illustration, the President received a telegram from Senator Borah this morning in which the Senator said that he was glad to approve the President's proposal, which seemed just and equitable to all, but that if correct reports of the French proposal had been received here, he could not support it. He stated that he could not support any proposal which would require Germany to make any payments at all during the moratorium year,

that this would be not only unjust but would render the whole scheme futile. You may care to bring this to the attention of the French. The necessary legislation cannot be obtained in the fall if Borah withdraws his support. This you of course recognize. We are aware of the problems facing the French Government, but if we are forced to withdraw our proposal, which is now supported without condition by Italy, Great Britain, and a number of other countries, before the middle of July the French will be confronted with the collapse of Germany and some other nations. The French can then look for no financial or other support from this country, and when they attempt to put the pieces together again, even if it can be done, by calling a general European conference, they are likely to find themselves at the council table alone. Can they afford to incur the risk of so complete a catastrophe and their own isolation for the sake of receiving for 1 year a comparatively small amount of unconditional payments?

6. Let me summarize the conclusions reached here this morning in order that there may be no misunderstanding. We are withdrawing Plans A and B. We desire you to discuss the original proposal of the President frankly and completely but very firmly with the French, and following that discussion to advise us what you feel is the right course of action for us to pursue in view of all the circumstances. I may add for your information that the British think that unless there is to be a complete breakdown it is absolutely essential that all concerned give an unconditional acceptance of our original proposition.

On my own initiative and for your further information with regard to a proposal which I discussed with you by telephone night before last, I am sending a memorandum approved by Gilbert and prepared by Leon Fraser.[73] This is not for the French but is for your information only.

[The memorandum, which follows here, and which explains in detail the legal basis for the proposal, is omitted.]

We are told by the French that they want to preserve the Young Plan and to secure some concrete evidence of the good faith of Germany. It is my view that they should be satisfied on both points by a German deposit of perhaps 500,000,000 reichsmarks with the Bank for International Settlements under the terms of the Young Plan itself and as provided for in article 53 of the statutes of the B. I. S.[74] Such a deposit would involve no departure from the President's proposal for a complete suspension of payments on international debts since the deposit would be made in reichsmarks to Germany's credit and Germany would share in the profits and draw interest on the de-

[73] American Director of the Bank for International Settlements.
[74] Great Britain, Cmd. 3484, Misc. No. 4 (1930), p. 125.

posit under a section of the Young Plan which is completely separate from the reparations section. Reparations payments would be suspended completely for 1 year. However, by depositing 500,000,000 reichsmarks to her own credit under a clause of the Young Plan, Germany would formally recognize the continuation of the Young Plan and would be giving a substantial pledge for its continued existence. The Germans should not have difficulty in finding 500,000,000 reichsmarks. Since the deposit would be made in reichsmarks it is clear that no exchange difficulties would be involved. The money would continue to be German money and, as I have said, Germany would be paid interest on it and would be permitted to share in the profits of the B. I. S.

7. I am personally very favorably impressed with this last plan. I am suggesting it to you for your consideration and advice, although it has not yet received the President's approval. Mills.

STIMSON

462.00R296/4155a : Telegram

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

[Paraphrase]

WASHINGTON, June 26, 1931—6 p. m.

289. This telegram is strictly confidential from Secretary Stimson [75] for the Ambassador and Secretary Mellon. We feel, after conference between the President, Stimson, and Mills, that you should proceed and, if possible, endeavor to reach an agreement in principle with the French along the following lines, impressing on them that the time element is of supreme importance inasmuch as a critical economic situation has to be dealt with. It is our belief that prolonged negotiations would, in part at least, destroy the good effects already arrived at.

First. The Hoover proposal contemplates no impairment of the integrity of any international debt obligation in existence. It is entirely contrary to this.

Second. A strictly economic remedy has been proposed by the President to meet the serious crisis which in Central Europe threatened a complete collapse of credit with all the serious social and economic consequences that would have followed for the entire world from such a catastrophe. It is the American Government's feeling that in taking the initiative, in acting when it did, and in proposing to its own people that they forego $250,000,000 which they would other-

[75] By the time this telegram was ready for signature the Secretary had left for his European trip and Mr. Castle was Acting Secretary.

wise receive during a period of deep depression and governmental deficit, it was acting as much for the benefit of France as for any other country, the United States included. The American Government under these circumstances cannot admit any connection between European political problems and the Hoover proposal. In this connection see Department's telegram No. 90 which the Embassy at Rome is repeating to you.[76]

Third. We cannot make any concessions so far as regards the principle of total postponement. Similar concessions to other countries would have to be made if any concessions were made to one country; the completeness of our offer to our own debtors would have to be modified by us in turn until the entire fabric of the Hoover proposal would have been whittled away piece by piece. Its chief merits, we consider, were its simplicity, its completeness, and the promptness with which it could be put into effect, thereby restoring the confidence that was so sadly lacking in the world until the President's offer was made and, at the same time, affording immediate relief from depressing economic influences. Our people, moreover, will never agree to a complete suspension of payments to them unless mutual sacrifice is made. Several days before the President's announcement, we made this position clear to the French Government through Monsieur Claudel.[77] Our offer, finally, was made only after the leaders of both parties in the House and the Senate had been consulted and their views were obtained with regard to a very specific and definite proposal containing the condition outlined above.

Fourth. If a financial plan meets with French approval, we shall—although we cannot under any circumstances approach Germany in connection with any Franco-German political differences—be only too glad to urge that Germany accept and that she emphasize her recognition of the validity of existing financial agreements. We shall also be glad, under these circumstances, to urge, in the working out of financial details, Germany's cordial cooperation.

Fifth. To reach a decision as to the President's proposal, it does not appear to us to be necessary to obtain further detailed information regarding the economic situation of Germany. That Germany was on the verge of collapse at the end of last week is generally admitted, and it was the President's announcement which saved the situation. No time is available for an exhaustive investigation of the situation. All the evidence necessary for a 1 year's suspension is at hand. And it seems to me that the offer should be welcomed by France to consolidate the gains which the President's announcement has already brought

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[76] *Post*, p. 220.

[77] See memorandum by the Secretary of State of his conversation with the French Ambassador, June 18, p. 26.

about. France should realize that a refusal to go along or even a protracted delay in arriving at a decision might very well once more lead to the same conditions in a more aggravated form which existed only a few days ago. Yesterday, the Reichsbank lost on foreign exchange transactions and today it lost to an increasing degree. These losses contrast with the gains achieved earlier in the week and they are undoubtedly the result of France's attitude and of the fear that the President's program will thereby be blocked. The credit situation, as the French Government must know, is critical all through Central Europe, and in Hungary and Austria it is desperate, and there is no telling how much will be overwhelmed by the flood if there is a break anywhere in the dam. The present is not the time for negotiations to be protracted, and a decision must be reached over the end of the week. Having agreed, if France agrees, the other important creditors outside of Belgium are prepared at once to put into effect the whole program. The President will not be able to rally sufficient support in this country for his proposal if some arrangement for its acceptance substantially in its present form cannot be made.

Sixth. You should present the following view strongly to the French Government early tomorrow morning: Their counterproposal is not acceptable to us, and you should ask them if they cannot so revise it as to meet the essentials of the proposal made by the President. We also desire you to ask them that they make any new suggestions at the meeting which, according to our information, is to be held on June 27 at 3 p. m.

Seventh. Unless you hear further, you are authorized to present the following methods of bringing the French into line with our plan, if at that meeting they fail to do so.

Eighth. Reconciliation of relief to Germany as embodied in the President's proposal with the French determination to preserve the payment of unconditional annuities is the essence of the problem which now confronts us. The French proposal to forego retention of payments from Germany for 1 year and to make available to Germany in the form of a loan the sums deposited with the B. I. S. has fortunately opened the way for this. This proposal, as it is understood by us, would make available to Germany the total sums which otherwise under the terms of the Hague Convention would have been transmitted to foreign governments. There is partial accord with the President's proposal in this under the terms of the French proposal. There is, however, a very serious difficulty in the fact that the unconditional payments, which France does not keep but are loaned back to Germany through the B. I. S. under the terms of the French proposal, become due and are to be paid back the following year. In 1932–33, in other words, there would become payable the uncon-

ditional payments due in the year 1931–32, the transfer of which to the creditor countries is suspended for 1 year. This would bring about the result that in 1932–33 there would be paid a double installment of unconditional annuities. The relief contemplated is not given by this, and it is manifestly impracticable. Should a double payment in 1932–33 be received by France, then a double payment must be received by every other country including the United States, and this would cause a collapse of the whole plan. Some continuation of reparations in kind creates a further departure from the President's proposal. It seems to us that the exception which France desires to have made of the amounts necessary for the execution of the balance of the current contracts for payments in kind, is unsatisfactory, as it infringes upon the general principle of total postponement. The experts would have to discuss later the question of the balance of current contracts for payments in kind, as some provision may have to be made for that. The gap between the American and French proposals would appear to be spanned should France be willing that the 1931–32 unconditional payments which under her proposal would be paid to the B. I. S., be reloaned to Germany to be repaid in annual installments over the life of the agreement applicable to unconditional payments. This is to be known as Plan D.

Ninth. If the problem be approached from a slightly different angle, there appear the following three difficulties which are giving trouble to France:

1. An anxiety for fear lest the Young Plan break down. Something in the form of a recognition of the validity of existing financial agreements is desired by France in this connection.
2. Other evidence of Germany's good faith is desired by her.
3. Some responsible pledge, which would assure that the existing financial agreements be carried out, is also desired by her.

The terms of Plan C, which is as follows, seem to us to meet all of these requirements:

A deposit by Germany of the following type is envisaged by article 53 of the statutes of the B. I. S., and article 14 of the trust agreement between the creditor governments and the B. I. S. (both of which are contained in the Hague Agreements of January 20, 1930): A deposit with the B. I. S. for a period of not less than 5 years, withdrawable on 1 year's notice, of not less than 400,000,000 reichsmarks, on which deposit Germany may receive a certain percentage of the Bank's profits and is entitled to compound interest. There is no relation between the reparations provisions and this particular provision. The hope that adequate deposits in the first instance would be given by it caused its insertion. No use has ever been made of it, but the Germans would give unqualified proof of their recognition

of the continued validity of the Young Agreement, and concrete evidence of their good faith and willingness to continue to carry out existing financial agreements should they now make a deposit, under this provision of the Hague Protocol, of, let us say, 500,000,000 marks. Precisely what France is seeking through the payment of unconditional annuities would be given to her—that is to say: (1) recognition of the continuity of the Young Plan; (2) concrete evidence of Germany's good faith; and (3) a substantial pledge from Germany that would insure that existing financial agreements be carried out.

From the French standpoint this would have the further advantage of avoiding the necessity of altering in any way, other than the mere suspension of payments for a year, the provisions of the Young Plan, just as our willingness to postpone the payment due us during the next fiscal year in no way alters the provisions of our debt agreements. From the French standpoint what is even more important is that a discussion would be avoided and a possible reopening of the question of distribution of unconditional annuities, which might well arise if they refused to waive the payments to France while other nations expressed the willingness to do so, might also be avoided. Reference in this connection is made to Mr. Mills' cable to Mr. Mellon, No. 280 of June 25, submitting a memorandum prepared by Leon Fraser giving the background in law for any such proposal. As regards our point of view, it would permit exact compliance with the proposal of the President by a suspension for 1 year of all payments.

Tenth. Our Government will accept either one of these plans.

Eleventh. As respects the minor debtor and creditor nations, we feel our problems can be made the subject of subsequent negotiations and discussions once the principal creditor nations have agreed in principle. As respects Germany's unconditional payments during the year of suspension, we believe they should be made available in principle in the form of a loan to Germany only.

Twelfth. All manner of technical difficulties will evidently arise through the working out of the President's proposal. Technical experts of the different countries affected will have to work these out.

Thirteenth. You should point out in your discussions with the French that it is not pertinent that they should contrast their position during the year when all of the Young Plan payments are being made according to schedule with their position under the President's plan. There is no resemblance in the situation at all. Except for the President's proposal it is perfectly certain that there would have to have been an invocation of the suspension provisions of the Young Plan. The possibility is by no means remote that all payments, including the unconditional, would have become impossible if the complete credit collapse which threatened last Monday had taken place.

This is what would have happened, in our opinion. France's net receipts as we figure them are not much in excess of $10,000,000, even under the terms of the Young Plan, after taking into consideration the 500,000,000 reichsmark deposit which has to be met by France with the B. I. S., known as the Guarantee Fund, and assuming that under the terms of the British and American debt agreements France exercises the right of postponement. It is probable if the actual facts be taken into consideration that the President's proposal does not actually suggest for France a greater sacrifice than she would otherwise have had to face, in spite of the fact that great emphasis is being placed on the fact that France is being deprived of unconditional annuities of perhaps $110,000,000 a year. After considering the Guarantee Fund and France's out-payments even under the terms of the Young Plan, the amount of her sacrifice under the President's plan is insignificant as contrasted with the Young payments. Inasmuch as public discussion has so far greatly over-emphasized the sacrifice asked of the French, we believe it is most important that you should call this to their attention.

All other instructions making suggestions of methods to reconcile the President's statement with the French position are superseded by this instruction.

CASTLE

462.00R296/4166 : Telegram

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

PARIS, June 27, 1931—11 a. m.
[Received June 27—10:30 a. m.]

361. After a session in the Chamber of Deputies beginning at 3 p. m. yesterday and ending at 6:30 this morning the Government obtained a vote of confidence the result being 386 to 189. The vote was not split on party lines as the Socialists voted for the Government, the opposition consisting of a portion of the Radical Socialists and extreme Conservatives.

Several orators attacked President Hoover on account of having made his proposal without consulting the French Government. The Prime Minister, however, forcefully defended the United States, claiming the latter had acted absolutely correctly and that the American Ambassador had given him absolute assurance that the French Government was the first outside Government advised. The Prime Minister urged that nothing be said in the Chamber of Deputies to offend American susceptibilities and make more difficult the delicate negotiations which were beginning.

The Minister of Finance in an able [garbled] of the Government's position stated that under President Hoover's proposal France would

be better off than under German moratorium. Furthermore, he stated under a German moratorium France would have no guaranty that Germany would not use the funds thus saved for armaments, but under the French counterproposal adequate guarantees would be secured. He warned the Chamber that the German economic and financial situation is graver than the Deputies realized and that latter must choose between German moratorium or the Hoover proposal with proper reservations to preserve integrity of Young Plan.

While none of the eleven interpellators advocated unconditional acceptance of President Hoover's proposal neither did any orator advocate unconditional refusal of that proposal.

The motion finally adopted by the Chamber reads as follows:

"The Chamber, approving the reply of the French Government to the proposition of the President of the United States, counts on the Government to assure simultaneously the intangibility of the unconditional annuities accepted at The Hague by the powers signing the Young Plan and the necessities of a policy of peace and economic cooperation and refusing any additions, passes to the order of the day".

EDGE

462.00R296/4187a : Telegram

The Acting Secretary of State to the Secretary of State [78]

[Paraphrase]

WASHINGTON, June 27, 1931—5 p. m.

1. Up to 4 o'clock this afternoon the situation regarding the debt discussions may be summarized as follows:

In reply to our message of last night [79] Ambassador Sackett telephoned from Berlin to give the substance of his talk with Bruening. These principal points were made:

(1) The plan which the French have suggested for reloaning the money paid by Germany to the Bank for International Settlements to other European countries is not acceptable.

(2) The payment of marks to the Bank would not be agreeable to the people of Germany. The Chancellor suggested in a tentative way the issuing of German bonds which would be held by the Bank. I understand that the Chancellor's objection to payments to the Bank for International Settlements applied only to the scheme advanced by the French and not to a like feature in our Plan D.

(3) The Chancellor feels that it would be politically impossible for Germany to make a public and formal reaffirmation of acceptance of the Young Plan.

Secretary Mellon is to have additional talks with Laval scheduled to begin at 3 p. m. today Paris time.

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[78] En route to Italy on the S. S. *Conte Grande.*

[79] Telegram No. 93, June 26, 9 p. m.; not printed.

The information in this telegram has been repeated to Secretary Mellon for his confidential use.

This afternoon Mr. Mellon stated by telephone that he had seen Laval, who gave him the suggestion which follows: That the payment by Germany to the Bank for International Settlements be divided into five parts; Germany would receive four-fifths as a reloan and one-fifth would be loaned to other countries of Central Europe. Laval insisted, however, that instead of Germany's repaying the loan in 35 yearly installments as we set forth in Plan D, repayment should be made within 5 years' time. Laval's idea was to divide repayment into three installments which would be paid during the final 3 years of the whole 5-year period and that accordingly the first 2 years of the period would demand no repayment from Germany. It appears that this plan would not prove acceptable to the German Government. There is under consideration here the altering of our suggestion for 35 annual installments into 25 annual installments.

CASTLE

462.00R296/4184a : Telegram

The Acting Secretary of State to the Ambassador in Germany (Sackett)

WASHINGTON, June 27, 1931—8 p. m.

94. The British Ambassador called on me this afternoon with a telegram from his Government. The British Government is at one with the American Government as to the inadvisability of attaching political conditions to the President's proposal, but believes that there are considerations which must not be overlooked. It would be unfortunate, for example, if the impression became general that the Germans are taking everything and giving nothing. If this impression, which the British Government believes is growing, could be corrected, it might lighten the task of bringing acceptance of the President's plan, at the same time increasing the benefits of that plan. Germany cannot be expected to make any financial sacrifices, but the British believe that acceptance of the plan would be facilitated if the Germans should make a spontaneous contribution toward the restoration of confidence.

1. There is wide spread criticism in Europe that the Germans make no military economy, a suspicion revived by the recent emergency decree. Under the present conditions of German economy is the expenditure of building a new battleship justified?

2. The Customs Union.[80] So far as this is concerned, the British

[80] See pp. 565 ff.

are impartial as we are. They feel, however, very strongly that this question is impeding the restoration of confidence in Europe and that if the Germans could be persuaded to drop the plan openly and without any humiliation to themselves as a token of their appreciation for the President's plan, it would do much toward improving the situation. (You mentioned this yourself in talking with me this morning.) The British feel that the Customs Union was intended as a brilliant success for the Bruening Government and also to afford economic relief, that both these objects have been achieved by the American action. It seems to the British, therefore, that the Customs Union is no longer necessary, but that as a plan it is highly disturbing.

3. German finances. It is feared in Europe that the German Government may be intending to modify the emergency taxation and that warning along those lines might be useful. The British feel that the Germans should not do anything to diminish the yield. The apprehension was lessened by Bruening's broadcast on June 23, but so far as the military department is concerned, including the building of a battleship, there seems to be no retrenchment.

The Ambassador asked me whether the American Government would be willing to take steps along these lines. I told him that it was impossible since if it appeared to Congress that we had attached political conditions to the President's plan, that the plan would have little chance of success. I said, however, that there was no reason why the British should not put these matters up to the German Government, that they might even base their action on the fact that this Government was fighting hard to put across the plan which would be of great benefit to Germany and that any action the German Government might take to assist would be highly appreciated. I told the Ambassador that I was telegraphing you his conversation, in order that, if the British approached the Germans and they approach you, you would not discourage any action they might wish to take. I do not wish you to approach the Germans on these matters on your own initiative, but feel that the British are probably right in their estimate of the situation.

CASTLE

462.00R296/4179 : Telegram

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

[Paraphrase]

PARIS, June 27, 1931—9 p. m.
[Received June 28—12:37 a. m.[81]]

365. It was not possible to obtain an interview before our meeting at 3 o'clock owing to the fact that the Cabinet did not get away from

[81] Telegram in five sections.

the Chamber of Deputies until this morning at 6 o'clock. We opened the discussion with a strong presentation of the points set forth in sections 1 to 5 of your telegram No. 289 of June 26, 6 p. m. We met with the unsatisfactory responses which have been previously outlined and some added comments which were evoked by last night's attacks in Parliament.

When it was found that we had reached an impasse so far as accepting either President Hoover's original proposal or the French reply as a whole, we attempted to find some way out. The French representatives expressed clearly their view that we could find a way out. The proposal which follows emerged after 2 hours of discussion. We agreed to submit it to you for comment before the meeting which we will hold at 10:30 on Monday, June 29. The understanding is that the suggestion is completely confidential and does not bind either Government as to a final decision.

The proposal in substance is that France will place at the disposal of the Bank for International Settlements, as the monthly unconditional payments are made by Germany for 1931–32, a sum equal to the French share of the unconditional annuities. The Bank, in accordance with its statutes, will then apply this sum to loans made available to Germany. France, however, wants to have one-fifth of this money applied to loans to other countries of Central Europe, with those countries which will suffer hardships from the postponement of the Young Plan receiving priority.

On July 1, 1932, the money loaned by the Bank will be repayable, but for 4 years the complete repayment will be adjourned. Repayment will be made gradually by monthly payments in the last 3 years amounting to one-third of the total annually and drawing interest as of July 1, 1932. This postponement of payment is made on the assumption that Germany before this date will not have declared a moratorium. If Germany declares a moratorium between July 1, 1932, and July 1, 1936, then the loans in question will be called, but France will use the money thus called in to establish the guarantee fund for which the Young Plan provides.[82] According to an understanding with Flandin the interest rate should not be greater than 5 percent.

This proposal involves a series of compromises by the French. The French originally asked for the commencement of monthly payments in the second year to be completed by the end of the third year and for interest to begin at the end of the first year. The proposal which I have outlined above was drawn up by Flandin at the end of the meeting when we made it clear that we could neither accept nor recommend the original French suggestions. We agreed to submit the new

[82] See Great Britain, Cmd. 3343 (1929), Annex VIII, p. 65.

proposal confidentially. It will be noted by the Department that there is reference to the fact that the money loaned by the Bank for International Settlements is to be loaned in accordance with the Bank's statutes. This means that the loans will not be for the aid of the German Government budget but must be for the benefit of the German economy. The French demand is likewise expressed that one-fifth of the unconditional payments which are turned over by France to the Bank should be loaned to Central European countries other than Germany and with a special priority for those countries which the temporary suspension of the Young Plan will embarrass financially. Laval particularly insisted upon this point in the way of his [omission] in Parliament and also because he believed that it was not wise to allow Germany to continue payments to those countries or to allow the use of any of this money to finance dumping or armaments. The Government of France is most anxious to reach agreement with Germany on these matters. Therefore the French are particularly anxious to have Bruening visit Paris as soon as possible. It was pointed out for our part that our Government could not take part in these political matters nor in any circumstances be expected to pass on them. Our position was completely understood, and if and when the German Chancellor comes to Paris there will be no tripartite meetings of our three nations. Any conversations that might take place would be between two Powers at a time. Thus there would be avoided both the criticism of the French Parliament that our Government was dictating to France and the criticism that our Government was entering into political spheres in Europe in addition to purely economic matters. It is our understanding that the French are willing to credit payments in kind against the unconditional annuities. Payments in kind, in other words, would bring about a reduction of the unconditional payments.

A communiqué was prepared at the end of the meeting and, since it was believed that the whole of the proceedings should remain confidential, the communiqué merely stated that a discussion had taken place and that some progress had been made although no conclusions had been reached.

It was only when the meeting had neared a breaking point that we were able to secure a definite understanding from the French that only one-fifth of the unconditional payments going to France would be made available as loans to countries other than Germany. This amounts to about one-sixth of the total of the unconditional annuities arising from the loans to [*payments from?*] Germany during the Hoover year.

EDGE

462.00R296/4179 : Telegram

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

[Paraphrase]

WASHINGTON, June 27, 1931—10 p. m.

298. For Mr. Mellon and the Ambassador. It appears to us after full consideration of the French proposals and your discussion that the French proposals so widely depart from the full and generous suggestion of the President as to destroy its value and importance in the present economic situation:[83]

"The American Government proposes the postponement during 1 year of all payments on intergovernmental debts, reparations and relief debts, both principal and interest, of course not including obligations of governments held by private parties. Subject to confirmation by Congress, the American Government will postpone all payments upon the debts of foreign governments to the American Government payable during the fiscal year beginning July 1 next, conditional on a like postponement for 1 year of all payments on intergovernmental debts owing the important creditor powers."

2. We should add in order to complete the proposal that funding of the payments postponed during 1 year should be, provided all others including the French agree to this period, over a period of 25 years.

3. It is our understanding of the French proposals as now made that unconditional reparations shall be paid to the B. I. S.; that the B. I. S. shall reloan this sum to Germany, except that one-fifth of the French portion shall be made available by the B. I. S. for loans to other Central European countries; that the B. I. S. loans to Germany and other countries shall be repaid in installments of one-third, beginning with the third year after suspension, and lasting through the fifth year. Interest at 5 percent shall be paid upon deferred payments. If the suspension provisions of the Young Plan shall be invoked by Germany after July 1, 1932, and prior to July 1, 1936, the B. I. S. loan to Germany will at once become due, and on her part France agrees that it shall be applied to the Guarantee Fund. Any reparations in kind made by Germany shall be credited upon the amount of the unconditional payments, but these payments are to be limited to those covered by existing contracts.

4. We regard this proposal as unacceptable. It represents a whittling away of the value of the proposal of the President. It would compel us to say at once to all other governments that their payments to us must be funded over a period of 5 years. Other objections appear which make it a long way from the relief to Germany which the Presi-

[83] The following quotation from the Hoover proposal not paraphrased.

dent contemplated, and it does not meet in his judgment the possibility of preventing the impending European panic.

5. It seems to be feared by the French that the suspension privileges under the Young Plan might be invoked by Germany and that it would then be necessary for the French to deposit in the Guarantee Fund at the B. I. S. 500,000,000 reichsmarks.[84] It is not apparent how this could occur under the President's proposal, since it is inconceivable that the suspension privilege would be invoked by Germany during the coming fiscal year, which is to be a year of suspension. The French could obtain a definite assurance from Germany on this score.

Our proposal on the question of the term for the repayment of the loan made to Germany by the B. I. S. was for funding over the full 35 years, it being the unexpired term of the Young Agreement applicable to unconditional payments. We would have no objection to cutting this to 25 years, since this would seem reasonable for treatment to all the debtors, in the view of the American people. We should of course expect that all deferred debts, including conditional reparations, would also be refunded over the above-mentioned 25-year period. That is to say, that every governmental payment of every kind during the forthcoming 12 months would be refunded universally over the 25-year period. On our part we would be glad to have the rate of interest to our debtors from year to year coincide with the average rate of interest on the American Government public debt at the beginning of each fiscal year, and would suggest that all other creditor governments apply the same formula.

6. Our final proposal to the French stated in its simplest form is that all conditional payments due during the period of 12 months shall be funded over a 25-year period, payable in equal installments; that the unconditional payments due during the period of 12 months shall be paid into the B. I. S. and reloaned to Germany *in toto*, Germany to repay the loan in 25 annual installments, with interest. The French suggestion that the loan shall become due at any time during the years of repayment if Germany should invoke the Young Plan suspension privilege is unacceptable. The French formula for the payment of balances on current contracts for deliveries in kind not covered by previous payments is also unacceptable. This question must be left open for future discussion on the part of interested governments.

7. You should inform the French Government, in the event that it is unwilling to accept this proposal, that in order to contribute what it can to prevent the economic collapse of Europe which will inevitably result from the breaking off of negotiations, the American Government is considering continuing the offer (originally made

[84] See Great Britain, Cmd. 3343 (1929), Annex VIII, pp. 65–66.

to its debtors collectively) to each one of its debtors individually to postpone all payments which are due the United States for 1 year, beginning July 1 next. We would suggest that the postponed amount be funded over 25 years, provided a similar postponement will be granted by them on intergovernmental debts to each country which has accepted the plan of the President. It would be expected, of course, that the countries to which this offer is made, and which accept it, would not extend this relief to their debtor countries which do not accept the proposal of the President and which continue to call for payments on intergovernmental debts. In view of the immediate emergency it is not clear what other course we can pursue should France not agree. You should tactfully and discreetly ask the French for their opinion of this proposal and what alternative they have to suggest in the event that it is not possible to reach an agreement.

8. The following is for your information, only to be presented to the French in your discretion: there is no question that the Germans will, upon this offer being made, immediately give notice under the Young Plan of the suspension of unconditional payments. We are advised, furthermore, that on account of their impaired credit and their total inability to obtain foreign exchange under existing conditions, Germany will be unable to meet even the next installment of unconditional obligations. On the assumption that France declines this offer, her financial position during the coming 12 months will have the following net result:

(*a*) Assuming that Germany could continue the unconditional payments but gives notice of suspension of conditional payments, France would receive $109,000,000 from Germany. France would be obliged to pay $106,000,000 into the Guarantee Fund, which would leave France with $3,000,000 net additional cash. On the other hand, even after having exercised (under her agreements with the United States and Great Britain) her postponement rights, France would still have the obligation to pay the United States and Great Britain $50,000,000. Her net outgo in this case would be $47,000,000. France would probably not make the declaration of financial weakness which this step would imply, and in this case the full amounts would have to be paid to the United States and Great Britain, i. e., $110,000,000, leaving France $107,000,000 net outgo.

(*b*) If, in spite of the relief which we are trying to give Germany, Germany's credit, in the fundamentally weak position existing today, is so affected by the failure of the Franco-American negotiations that the unconditional payments could not be met by Germany, then France would have to meet her payments to the United States and Great Britain with no income from outside. The French would still be faced with the complete breakdown of the Young Plan, France would receive nothing from Germany, and she would still be obligated under the terms of her own solemn engagements, to pay Great Britain and the United States. It is inconceivable to us that the French would want to find themselves in that position.

9. It is to avoid the appearance of disassociating ourselves from common action with France in the solution of such difficult problems that we are hesitating to make this offer at the present moment.

10. We wish to impress strongly upon you that our information indicates that credit conditions in Germany and Central Europe are reverting rapidly to those which existed before the announcement of the President, and that there is a threat of immediate breakdown which may not be postponed beyond the early part of the week, and unquestionably cannot be postponed if the impression gets abroad that France is not willing to associate herself in this effort with all the other important governments; any agreement we might make would be too late to save the situation once the crash had come.

Time for negotiation is lacking. It may be impossible once more to restore German credit so that they can meet reparation payments due July 15, unless the French and American Governments can agree by Tuesday at the latest. You should not forget that not more than a week ago Germany was allowed by France to drift to the very edge of the precipice. The Reichsbank would have collapsed last Monday had it not been for the announcement by the President. That such a risk should be incurred a second time is intolerable. In this Gilbert concurs.

Please make every effort to get in touch with the French representatives in order to present our position to them as early as possible tomorrow (Sunday).

CASTLE

462.00R296/4185 : Telegram

The Ambassador in Germany (Sackett) to the Acting Secretary of State

[Paraphrase]

BERLIN, June 28, 1931—8 p. m.
[Received 11 : 20 p. m.]

99. Reference is made to your telegram No. 95 of June 27th.[85] Your proposal has been placed before Foreign Minister Curtius. He has stated that no official answer could be given as to the German attitude until he had conferred with Chancellor Bruening and probably also with the Finance Minister. Since today is Sunday neither of them could be reached, but Curtius will consult them early tomorrow and expects to send us an official answer sometime around noon. However,

[85] Not printed; it conveyed the substance of the French proposal which was forwarded to the Department in telegram No. 365, June 27, 9 p. m., from the Ambassador in France, p. 85.

he said that perhaps I would like to hear his unofficial and personal reactions. They were as follows:

The value of the President's plan would be seriously impaired by the French proposal. The original plan was recognized by the German people as a boon and was gratefully accepted as such. Curtius felt that the Germans in his own words ought not to "look a gift horse in the mouth". Nonetheless he would not like to see this gift diminished in such a way. The Hoover plan was intended not only to restore confidence but also to alleviate the tension in Germany. This proposal, he felt, would have not at all a quieting effect in Germany. In fact, if it should happen that the unconditional annuities paid by Germany were loaned say to Poland or to Czechoslovakia a terrible uproar would result in Germany. Curtius tried in addition to stress somewhat the argument that under the original proposal of the President Germany thought she would have to pay no unconditional annuities, but that under this French proposal Germany would have to pay about 500,000,000 marks to France. As I see it he overlooks the fact that the only real loss to the German budget would be the one-fifth which would be loaned to other Central European countries and the interest of the amount of the German loan plus any possible payments in excess which Germany might have to make to its own commercial people on deliveries in kind above the price which would be credited to Germany by France.

The Foreign Minister then said that the official answer which would be given tomorrow might take the form of a statement that Germany hoped that no final agreement would be based upon this proposal, but that if such agreement were contemplated the Government of Germany wished to raise further questions. Chief among these questions, according to my impression, would be the effect of the proposal as it relates to deliveries in kind on the English Reparations Recovery Act and also whether the credit to be given Germany on deliveries in kind would apply to deliveries to countries other than France. Curtius said in another part of the conversation that the German Government really should express no reaction at all to this proposal for he believed that these negotiations should be between the United States and France. He expounded at some length the feeling on the part of the German Government that it was necessary to abide by the policy of taking no position on the various suggestions now under consideration for reconciling the American and French points of view. He recalled that following Chancellor Bruening's radio speech of last Wednesday the French Foreign Minister had asked him and Bruening to come to Paris immediately but that the German Government believed that if Germany began negotiations with France before the moratorium scheme was finally decided upon the French would bring to bear all

sorts of political pressure. Apparently Chancellor Bruening had succeeded in making it clear to the French that conversations such as he had suggested in his radio speech could best deal generally with Franco-German relations and could best be begun after the plan had been settled in its final form. The French had given their assent to this point of view, but after the debate in the Chamber of Deputies yesterday Laval had again asked Bruening and Curtius to come to Paris immediately and when they declined had asked that Von Hoesch [86] be made a party to the conversations taking place in Paris with our representatives. However, for the reasons already given the German Government was obliged to decline even this suggestion. It is my own opinion that owing to the critical internal political situation here which the acute crisis of June 16 evidences, the German Government fears taking any step which might be interpreted by its political opposition as whittling away President Hoover's original plan. Accordingly the German Government is reluctant to state to us even unofficially how far it might be willing to agree to various compromise proposals. By the same reasoning I feel that if we reach agreement with France and place before the German Government a *fait accompli*, Germany would then go much further than if it merely followed its own wishes in the matter. It is obvious, however, that suggestions such as Plan C (to which you refer in the final portion of your telegram No. 93, June 26, 9 p. m.[87]) need definite answers. In conferences with the German Government in the future I shall endeavor to elicit a less negative attitude on their part.

SACKETT

462.00R296/4187c : Telegram

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

[Paraphrase]

WASHINGTON, June 28, 1931—1 p. m.

300. For Mr. Mellon and the Ambassador. There are reports in the press that Bruening and Curtius will go to Paris Tuesday morning. The implication is that the French will use this opportunity to force Germany to make political concessions in return for French agreement to President Hoover's proposal. In our opinion it is wholly wrong to use a purely economic proposal which was advanced for the benefit of the whole world as a means of forcing political concessions. We strongly feel that you should make this clear to the French and also inform them that any such move would be regarded in the United

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[86] German Ambassador in France.

[87] Not printed; the final portion of the telegram described Plan C as given in the parargaph beginning "A deposit by Germany . . .", p. 80.

States as indefensible, and in addition might well bring about such adverse sentiment here that the plan would be altogether refused by Congress.

We should like to point out that with regard to the final proposal which you will present to the French tomorrow the only point of difference at the present moment is the time element, namely, the question of whether the funding period should be 5 years or 25. The amount involved is small so far as France is concerned. The French viewpoint as to the unconditional annuities has already been recognized, and we cannot believe that the French are willing to permit the negotiations to fail on such a minor issue. The reloaning of these sums to Germany is, however, the major question. Article 25 of the statutes of the Bank for International Settlements specifically provides that no money shall be loaned to governments.[88] Consequently the French proposal that reloaning should take place under article 25 of the Bank's statutes cannot be accepted. The plan of the American Government was to have the money immediately reloaned to the German Government. No other solution can be accepted.

The question of deliveries in kind must be worked out by later discussion. It cannot be disposed of by negotiations between the United States and France alone since the question involves the interests of too many other countries whose rights are affected under the provisions of the Hague Protocol. The treatment given to deliveries in kind must fully accord with the spirit of the President's proposal. This is the only thing to be kept clearly in mind in this regard.

The suspension of payments of course affects the interests of some smaller countries. Some of these questions must necessarily be settled by later and general discussions.

CASTLE

462.00R296/4191b : Telegram

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

WASHINGTON, June 28, 1931—5 p. m.

302. For Mellon from Mills. See telegram No. 301.[89] The following was handed to me this morning by the British Ambassador, from the British Treasury:

"June 27, 1931.

Following are Treasury views: French reservation about payment of unconditional annuities seems to Treasury radically to alter proposal of President Hoover which His Majesty's Government accepted and have offered to carry into effect.

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[88] See Great Britain, Cmd. 3484, Misc. No. 4 (1930), p. 119.

[89] Dated June 28, 4 p. m.; not printed.

If Germany has to pay unconditional annuities in any form she will not obtain relief required for situation and effect in Britain will be very dangerous. Fact of case is that Germany cannot pay. London is financing Reichsbank and must withdraw money if complete suspension of reparations payments is not accepted unreservedly.

In view of Treasury, French proposal that payments should be lent by B. I. S. to Germany or other countries is no good. Insofar as money is lent to other countries obviously Germany gets no relief at all. If it is re-lent to Germany, Germany only gets short term credit and she will have to pay at the end of the year both postponed payments and full payment for next year which is obviously impossible. France will therefore have Germany at her mercy.

France's loss is exaggerated by French press which loses sight of fact that under existing agreements, if Germany paid full unconditional annuities but adopted moratorium for conditional payments under Young Plan, France would have to pay considerable part of her war debts which she has no right to suspend and also pay over sums due to the other creditor Governments out of French guarantee fund so that she would only retain comparatively small proportion of unconditional annuities for her own budget.

But, as Germany cannot in any case pay, suspension of payments is a mere recognition of a necessity. Choice for France is not between getting full payment and getting no payment, but between suspension of all payments and having to meet her debt liabilities while not receiving payments from Germany.

Further, Treasury points out that any distinction between conditional and unconditional annuities must create very awkward precedent for future. It admits right of France to draw unconditional payments from Germany even if debt payments are suspended. Implications such a precedent may involve for the United States and for this country are obvious and need not be emphasized.

If any special arrangement were adopted for unconditional annuities it would clearly raise difficulties as regards other inter-governmental obligations particularly relief debts.

At meeting of relief bonds committee Dutch representative stated that his Government's acceptance of suspension was conditional on suspension being applied to all inter-governmental obligations including unconditional annuities.

The only certain way to save situation is to get France to accept President's proposal for suspension of all German payments for one year. French could be told that this suspension is an emergency measure and that at the end of the year full rights of all creditor powers in respect both of conditional and unconditional annuities revive in full.

Treasury realize that insistence on complete suspension will perhaps make an immediate settlement more difficult but in their considered view acceptance of French reservation would at best only postpone and might well make it more difficult to solve in the long run. The only effective course is to tackle difficulty made by the French firmly and at once and get it over."

CASTLE

462.00R296/4176 : Telegram

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

PARIS, June 28, 1931—2 p. m.
[Received 3:30 p. m.]

370. [Paraphrase.] With reference to your telegram No. 295, June 27, 1 p. m.[90] Although your telegram No. 298, June 27, 10 p. m., is wholly clear and will be forcefully presented to Flandin in our informal conversation planned for 9 o'clock tonight, nevertheless, as a result of the Sackett conversation you may be interested in having the reaction of the French to the German aloofness. [End paraphrase.]

The German disinclination to accept the French proposal has been commented on several times by the French Ministers, especially by Laval and Briand, to the effect that German Government was receiving infinitely more under the Hoover plan and much more under the French reply than Von Hoesch, the German Ambassador to France, had intimated they expected or would be glad to get when he called at the Foreign Office just 2 days before the President's announcement. They feel of course that with the strong arm of the United States supporting German Government that she will insist on 100 percent of the Hoover proposal, but on the other hand they do not feel that she could allow any of the proposals for her relief to fail. Furthermore, it is felt that if she is unable to repay approximately $140,000,000 in 5 years there will be little likelihood of repaying of this or any other amounts in 35 years.

On the other hand there are the difficulties caused by the fact that the French will endeavor to use their key position to impose certain political conditions on Germany:

(1) Disarmament (Briand referred yesterday to the abandonment of the construction of the German *Ersatz Preussen* class which would he said enable France to reduce her naval program and thus help both security and the budgets of the world).

(2) The abandonment of the Austro-German Customs Union project, and

(3) The cessation by Germany [of activity] in the French spheres of influence in Central Europe and the Balkans. These three problems form the basis of a French argument for some form of control in the expenditure of the money released to Germany.

EDGE

[90] Not printed; it referred to a telephone conversation with the Ambassador in Germany.

462.00R296/4176 : Telegram

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

WASHINGTON, June 28, 1931—6 p. m.

303. My 300, June 28, 1 p. m. Your 370, June 28, 2 p. m. This information makes it essential that you would immediately transmit to the French Government the statement in paragraph 1 of my 300 of this morning. You should make it quite clear that this Government does not propose to have its very generous proposal, made for the benefit of the whole world, used as a lever on the part of any nation to obtain political concessions for [*from?*] any other nation.

CASTLE

462.00R296/5035

Memorandum by the Acting Secretary of State [91]

[WASHINGTON,] June 29, 1931.

Mr. Sackett stated that, although it was one o'clock in Germany, he was still in the Chancery as they were sending a telegram about a talk they had just had with German officials concerning the British suggestion that Germany make some gesture, such as giving up the Customs Union, to show her good will. Mr. Sackett said he hoped we would read this telegram carefully.

I then told Mr. Sackett that I had been talking with the President along these same lines and that the President felt strongly that the United States could not mix into political questions, since we had made a very definite statement to that effect both to the French and to the Italians and that we had told them the President's broad plan for relief should not be used by any government as a lever to obtain political concessions. I went on to say, however, that, so far as the new German battleship was concerned, we did not really consider that a political question; that we were very much interested in the whole question of disarmament; we knew that, if Germany would give up this new battleship, temporarily at least, it would make the chances for a successful disarmament conference next year much greater. I said that, furthermore, the failure of France and Italy to reach an agreement [92] had been, it was alleged, because of the German building program.

In addition to this I pointed out that the greatest sacrifices under the President's plan were assumed by this country, that it would be

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[91] Of trans-Atlantic telephone conversation with the Ambassador in Germany, Sunday, June 28, 6 p. m.

[92] See pp. 358 ff.

very hard for the American public to understand why, when we were giving up so much, Germany went right on with its building program, that it would be disastrous if the Americans should get the idea that with the money we gave up Germany was increasing its armament. I told Mr. Sackett that, if he felt he could do so, it would be well worth while to get in touch with Bruening the first thing Monday morning and put this point of view up to him strongly. He said that he was able to say anything to the Germans and that he would be glad to do it and, although he did not know what their reaction would be, he would do his best.

W[ILLIAM] R. C[ASTLE, JR.]

462.00R296/5037

Memorandum by the Acting Secretary of State of a Conversation With the German Chargé (Leitner)

[WASHINGTON,] June 29, 1931.

Mr. Leitner called, ostensibly to ask a question about our attitude toward budgetary limitation of armament. I told him that we had made no change in our feeling that direct limitation was the best method. What he really wanted to ask was about the progress of our negotiations with the French. I told him that I felt we were working very hard for Germany and that it was up to Germany, if possible, to make some gesture which would assist us. I said that, of course, we could not take any part whatever in political questions and that we had asserted with the greatest vigor that the President's plan should not be used by anyone for bargaining purposes. I told him, however, that, as he knew by his first question, we were immensely interested in the progress of disarmament and that we felt very strongly that, if the German Government wanted to cut out the battleship which they were constructing, it would help immensely the whole disarmament problem. I added to this that the American people were keenly in favor of the President's plan, which entailed great sacrifices for them, partly because they wanted to help out Germany, but that, if they should later, when enthusiasm had worn off, get the idea that Germany was spending any part of the money so saved to build a new battleship, the whole effect would be gone. I told Mr. Leitner that I had passed on this same idea to Mr. Sackett. Mr. Leitner seemed impressed and rather disturbed.

W[ILLIAM] R. C[ASTLE, JR.]

462.00R296/4181 : Telegram

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

PARIS, June 29, 1931—1 a. m.
[Received 1:40 a. m.[94]]

371. Our 370, June 28, 2 p. m. As arranged Monsieur Flandin, Minister of Finance, called at the Embassy at 9 o'clock tonight. Mr. Mellon and I discussed your 295, June 27, 1 p. m., [*298, June 27, 10 p. m.*] with him for 2 hours. We presented your counterproposal contained in section 4 [*paragraph No. 6*] as follows:

"All conditional payments during the 12 months' period shall be funded over a period of 25 years payable in equal installments.

The unconditional payments due during the 12 months' period to be paid to the B. I. S. and to be reloaned *in toto* to Germany are to be repaid over a period of 25 years in 25 annual installments with interest.

The question of the payment of balances under current contracts for deliveries in kind not covered by previous payments must be left open for future discussion by the interested governments".

Monsieur Flandin at once raised the question whether this proposal would deny the privilege demanded by France at Saturday's conference permitting it in case Germany declared a moratorium during the period of 25 years to call the payments in question and apply the sums thus called to the establishment of the guarantee fund provided for in the Young Plan. As you stipulated that this privilege was unacceptable we advised Monsieur Flandin to that effect. While he frankly intimated that he felt it would be impossible to secure the acceptance by the Prime Minister and his other colleagues of the 25-year funding plan nevertheless he laid much stress upon the denial to France of the right to this advantage should Germany at any time invoke the moratorium provided for in the Young Plan. We explained that when the President had made the concession and had recognized the insistence of France that the unconditional payments remain inviolate and their continuity be preserved likewise France should recognize the necessity of retaining all other features of the Young Plan including the right of Germany to declare a moratorium.

The world's financial situation was thoroughly reviewed including the disadvantage France would be subjected to in the event of a failure to reach an agreement. The actual financial difference to France under the President's proposal as compared to the break-up of negotiations and the inevitable moratorium which would be declared by Germany with the necessity for France to continue war debt payments was thoroughly and completely outlined. Monsieur Flandin admitted as he had likewise done on the floor of the Chamber of Deputies Fri-

[94] Telegram in six sections.

day night that from the sole internal financial standpoint the difference either way was not material and agreed that the reason sought by the President for world's financial confidence was beyond criticism but always came back to the domestic political situations accentuated by the parliamentary debate which he felt would make impossible the acceptance of the counterproposal.

He further advised us that it had been arranged that the Senate would on Tuesday discuss the same proposal and that the situation in the Upper House was even more disturbing than in the Chamber of Deputies. From a practical political standpoint he admitted that the Socialist vote in the Chamber of Deputies had saved the Government but in the Senate this vote was negligible.

We insisted that time was [of] the essence and unless at our meeting scheduled for 7:30 tomorrow morning this counterproposal could be accepted there was nothing more we could do. In fact we intimated tactfully as per instructions in your 298 that if at our meeting tomorrow this agreement could not be reached it was quite possible from all the information we had that the President would feel that the financial situation in Germany and other countries was so critical that as regrettable as it would be if France could not join in the general international effort to stabilize financial confidence it might be necessary to appeal individually to the other major nations to join the proposed relief necessary in this crisis.

[Paraphrase.] It might be helpful, if you can find a way, to give assurance that the United States would unite with France in a method to obtain from Germany an understanding that she would not invoke a moratorium in the 25-year period. The Minister of Finance seemed to find this the greatest obstacle in obtaining acceptance of the extension of the term from 5 to 25 years.

Flandin promised that the counterproposal would be submitted to the Prime Minister tomorrow at 9 a. m. so that the American viewpoint would be known by the French conferees before the session opened at 10:30. Flandin frankly admitted that because of the political situation and Laval's commitments the outcome was doubtful, although he indicated his own desire to secure acceptance. He was very depressed. He made continual references to the Senate test on Tuesday. His feeling, as indicated by an analysis of his statements, seems to be that it is quite doubtful whether the Government could stand whatever position might be taken. It seems that in order to secure Ministerial power either House of Parliament is quite ready to attack the Government, either for failure to defend France's internal selfish interest or failure to be a part of the proposed international movement. Contributory to this situation, of course, is their natural antipathy to Germany. In other words, it is a case of damned if she does and

damned if she doesn't. Flandin's frank admission gave us a chance to pound home all the harder the opportunity France had of doing the right thing. The prospects are not encouraging, although Flandin is ready to do his best. [End paraphrase.]

EDGE

462.00R296/4180 : Telegram

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

PARIS, June 29, 1931—1 p. m.
[Received June 29—9 : 16 a. m.[95]]

372. The conference with the French Ministers lasted from 10 : 30 to 12 : 30. A net result was a decision on the part of Monsieur Laval to call an emergency meeting of the Council of Ministers at 6 tonight. We are to meet the conferees, following a Council meeting at 9 : 30 tonight. I have already put in a telephone call for the Acting Secretary for 10 a. m. Washington time.

[Paraphrase.] We presented the President's counterproposal as contained in your telegram No. 298, June 27, 10 p. m., and as previously given to the Minister of Finance (see Embassy's 371, June 29, 1 a. m.). Although Monsieur Laval expressed his doubt as to its being accepted, he agreed to present the counterproposal to the Cabinet tonight.

Following this discussion this direct question was asked by Laval: "What will happen if the Council refuses to accept the counterproposal?" We then frankly outlined the next step the President would probably take according to Department's telegram 298.

It is understood that no statement would be published of this situation at this time. [End paraphrase.]

EDGE

462.00R296/4192 : Telegram

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

[Paraphrase]

PARIS, June 29, 1931—5 p. m.
[Received 6 : 40 p. m.[96]]

373. Reference is made to our telegram No. 372, June 29, 1 p. m. At this morning's session three questions were under discussion:

1. The period of time over which the payments shall be funded.

[95] Telegram in two sections.
[96] Telegram in seven sections.

2. What disposition should be made of the payments on the unconditional annuities which are turned over from Germany to France to the Bank for International Settlements.

3. Whether France might apply the payments to the building up of the Young Plan guarantee fund if Germany should declare a moratorium after July 1, 1932.

A solution of the first question was suggested by Mr. Mellon at the beginning of the meeting. His suggestion was: (*a*) that 25 years should be the period for the funding of all debts, repayments to be made in equal annual installments; (*b*) that the unconditional payments which come due during the period July 1, 1931, to July 1, 1932, and which are reloaned *in toto* to Germany should also be repaid in 25 equal annual installments, with interest.

Mr. Mellon explained that 25 years would represent a reduction of 10 years over the 35-year funding period which had been the basis for the negotiations with other powers. A 25-year funding period would be the minimum to which the American Government could reasonably assent.

Premier Laval in reply stated his willingness to lay this proposal before the French Cabinet at an emergency session which was called for this afternoon. Laval expressed much doubt that he would be able to persuade the Cabinet to agree to the American proposal on the funding period question. However, he indicated that it might be possible that some further concessions in the direction suggested by Mr. Mellon might be attained with much persuasion.

The Minister of Finance pointed out that it was to the advantage of the German Government to pay back the 600,000,000 reichsmarks during the 5-year period suggested in the French proposal. On Laval's prompting he nevertheless intimated that some formula might be discovered, perhaps, under which Germany would make a first payment at the end of the "Hoover" year and the remainder [*final payment?*] at the end of the 38th year.

Mr. Mellon stressed that it would be difficult for the United States to make any further concessions on the question of time, particularly since it would be necessary to fix the funding period in agreement with all the other governments immediately concerned. These governments had already stated their willingness to accept the proposal of the United States Government in regard to the period of repayment. Mr. Mellon added that as a matter of fact even the concession which we were making and which recognized in principle a continuity of payments had received the opposition of some other governments. Mr. Mellon also remarked that the American Government had already made a considerable concession to the French Government in accepting this principle of the continuity of payments through the Bank for International Settlements for reloaning to Germany.

With regard to the second question Laval stated that France would have to obtain recognition from the United States Government of the principle that a small part of the unconditional payments should be loaned to countries other than Germany, especially in the Balkans and in Central Europe. The Prime Minister explained that there were two reasons for this, a moral reason and a material reason. He declared that the moral reason was that the other Central European states are in just as bad a state as Germany. The finances of these countries will be so disastrously affected by the postponement of the Young Plan payments that general chaos may result. If Germany alone is helped the collapse of these countries will certainly take place, with a resulting ill effect on German finances. These other states must be assisted as well as Germany. Laval felt that opposition to the whole of the President's proposal in the French Parliament would be insurmountable if the proposal were not tempered by some promise of assistance to the friends of France in Central Europe. This was the material reason.

In reply Mr. Mellon stated that while he understood the position of France and of the French Government he nevertheless had to say that the proposal to apply a part of the fund deposited at the Bank for International Settlements for loans to European countries other than Germany was unacceptable. The only question involved is the postponement of intergovernmental debts, in the opinion of the United States Government. Mr. Mellon suggested, however, that if the French Government should accept the general principle of President Hoover's proposal, it might be possible to work out some other means of aiding the Balkans and the Central European countries.

In addition, Mr. Edge and Mr. Mellon questioned the practical benefit to the Central European countries of the 25 million dollars which would be the amount of one-fifth of the French payment. They stressed the fact that in any event the general economic situation of the whole world would be so improved by the gesture of an unqualified and prompt acceptance of President Hoover's proposal that the countries of Central Europe and the Balkans would thus be indirectly assisted.

Laval stated as a conclusion that if Mr. Hoover would define a program of assistance to the countries of Central Europe which were financially weak and make a precise counterproposal including such a program, he might be able to persuade the Cabinet and Parliament to agree to more comprehensive concessions.

As a specific suggestion for the relief of Central Europe Flandin proposed a fund in which France and the United States would participate. Mr. Mellon again objected, however, that this issue was not vital at the moment.

The third question was left for discussion later on, since Mr. Mellon explained that the American representatives were anticipating vital supplementary material from Washington.

Laval emphasized the importance which France attached to the guarantee fund question. He explained that Germany's suspension of payments under the moratorium would require a payment equal to 500 million reichsmarks by the French treasury to the guarantee fund. Since this process would have to be repeated in the second year France would have to pay from her treasury a total of some 6 billion francs. The effect that this would have would be catastrophic. With regard to the third French proposal Mr. Mellon commented that it would be a departure from the Young Plan which the United States and France were equally desirous of avoiding. Flandin replied that the turning over of the unconditional payments from Germany to the Bank for International Settlements and the reloaning of them to Germany was a variation of the Young Plan to which the American Government had already agreed. Therefore, he suggested, the argument had little merit.

After some discussion it was agreed to suspend any decision on the guarantee fund question, with a reservation from the French that this question was directly related to the first question and that consequently a French acceptance of a satisfactory formula on the time question would depend largely on the acceptance by the American Government of the guarantee fund principle. Laval stated that in submitting the question to the Cabinet he would have to emphasize the fact that these two questions were interrelated.

Near the end of the meeting Laval remarked that the financial condition in Germany as of today directly resulted from large withdrawals of American capital. Mr. Mellon stated in reply that the chaotic economic condition in Germany caused the withdrawals and insisted that a generous application of the Hoover formula would end the crisis. Flandin observed that France and the United States, so far as this question was concerned, had different conceptions of cause and effect. He repeated that the crisis had been precipated by the American withdrawals, and declared that the Bank of France had intervened to prevent French withdrawals. It was suggested that so did the United States Federal Reserve Board.

Mr. Mellon then drew the attention of the negotiators to the seriousness of the situation which now threatened disaster. He set forth the considerations given in section 4 of the Department's telegram No. 289, June 26, 6 p. m.

Laval was asked the specific question of whether the French Government had information suggesting that the German economic situation was as serious as had generally been represented. He made a

non-committal reply. Flandin, however, threw doubt on the danger of an imminent collapse of the Reichsbank.

Laval declared that he was much surprised by the attitude of the German Ambassador and Germany's apparent lack of interest in taking part in the negotiations.

At this point Mr. Mellon urged the French to declare their acceptance of the President's proposal at least in principle so as to give assistance to the American Government in its attempt to stem the world-wide economic disaster which threatened. If that could not be done he asked that the French Government accept the first and second points and leave the third point for later discussion.

Laval flatly asked what the alternative would be in the event that France could not accept the President's proposal. Mr. Mellon's reply was made by setting forth the contents of paragraph No. 7 of the Department's telegram No. 298, June 27, 10 p. m.

It should be understood that this was presented as a frank answer to Laval's question and not in the nature of a threat. No comment followed, but the reply seemed to have definite effect on the French negotiators.

EDGE

462.00R296/4200 : Telegram

The Ambassador in France (Edge) to the Secretary of State

[Paraphrase]

PARIS, June 30, 1931—2 a. m.
[Received June 30—1 : 55 a. m.[97]]

377. This evening Mr. Mellon and I were asked by Flandin to call on him at his home at 9 o'clock. This was half an hour before the scheduled meeting of the group of negotiators at the Ministry of the Interior. During our conversation Flandin explained that the Council of Ministers had refused to accept the proposal which Laval this morning had said he would submit to it. The proposal related to a change in the repayment time from 5 to 25 years. Flandin explained a bit about the circumstances of this meeting and said that the French reply as approved by Parliament was the absolute limit to which the Cabinet was willing to go.

At the meeting itself Laval put forward in a formal way the points already presented by Flandin and stated that he had been defeated in the Council of Ministers and that the Council of Ministers felt that the 25-year period was excessive. Equally unacceptable, he also pointed out, was the American proposal with respect to the guarantee fund.

[97] Telegram in eleven sections.

He expressed his regret at having to make such an unsatisfactory reply but hoped that the reasons for it would be made clear to the President. The French Parliament has discussed the French reply to the American proposal and Laval's Government won approval on that basis through the support of the Socialists in the Chamber of Deputies and only with considerable difficulty.

On Tuesday afternoon an interpellation is to be made in the Senate on this matter by Senator Lemery, and although Laval feels very sure that he can gain a narrow majority there for the French reply as it now stands, he is very certain that he could not get support for any of the concessions which are demanded. He reiterated many of the points which he had made before: that the French situation is different from that of any other country, that France suffered most from the war, and that the French reply had indicated the large concessions which France was willing to make in the interest of the economic recovery of the world.

It was again suggested by the Ambassador that France was not the only country making a sacrifice. The Ambassador inquired whether the French Parliament did not recognize that the American Government, facing a budget deficit of one billion dollars, was adding by one quarter to that deficit without a quibble. This would take the form of $250,000,000 which the United States will relinquish in the coming year solely for the purpose of aiding in the financial stabilization of the world. All the Ministers said that they were using this fact in their appeals for support and that it must not be overlooked.

As for the question of the period for repayments the Prime Minister said that the French Government wished to make a counterproposal. It was set forth by Flandin as follows: The French Government agrees that after 5 years and if the Young Plan remains intact, it will consider favorably the possibility of extending the reloans for additional periods of 5 years each, thus enabling assistance to be given to German economy. Flandin stated in reply to a direct question of the Ambassador that by this method the 25-year period might be attained in cycles of 5 years each. Flandin felt that this plan would aid in bringing about a review of the situation from time to time and while it was not wholly in accord with President Hoover's principle, it would make it unnecessary to carry the debt beyond 5, 10, or 15 years if the conditions in Germany at the end of a period made it unnecessary. The sole comment relative to the proposal made by us was that it would be very difficult to adjust provisions of this sort with the other countries involved and extremely difficult to work out the American debt suspensions on a like basis.

The second point, referring to the French proposal for using unconditional payments for the relief of Central European countries,

was discussed very little. The Prime Minister, however, said that the Cabinet felt it could not give up this plan for the reasons already stated many times. It was again brought out on our side that the sum involved was inconsiderable and also that the President had suggested an arrangement for financial aid to Hungary through the combined action of the B. I. S., the Bank of England, the Federal Reserve Bank, and possibly the Bank of France. Mr. Mellon pointed out in addition that President Hoover would do all that he could to help the countries adversely affected. Laval said that the French would be very glad to hear any proposal which the President might make toward this end. This would suggest that the French must have some assurances on this subject for political reasons.

There was absolutely no change in the French attitude with regard to the third point. If a moratorium should be declared the credit of the German debt arising from the Hoover proposal for reloaning the unconditional annuities must be made available to the French for the guarantee fund. Laval indicated that France could not face the possibility of being required to loan Germany $160,000,000 now with the possibility that an additional $100,000,000 would have to be deposited in the guarantee fund within a year or, for that matter, later on, but before any considerable repayments had been made.

Mr. Mellon repeated the argument which had been made earlier on the other side of the question: that this issue would greatly complicate the situation with other countries which were similarly affected. He pointed out that it was obvious that during the year of suspension there could be no payment, but that in the following years the French Government could not be worse off than in a normal Young Plan year, since it would receive its regular unconditional annuities from Germany. Flandin believed that in the event of an immediate moratorium France was not likely to be required to pay twice since it would merely pay into the guarantee fund about the same amount as it would receive from Germany in its July 15 installment. In reply Mr. Mellon said that with the danger of a failure to reach agreement it would seem quite likely that Germany would not be able to pay these installments and that then France would be in the very situation she feared under the Hoover proposal of being required to make a deposit into the guarantee fund without having received a payment from Germany.

It was the French view that there was no reason why they should not have the right to call a loan if their debtors failed in their obligations and when they were required to place guarantees for that debtor. They felt that this right should not be impaired by whether or not the debtor could reimburse them.

Having thus disposed of the three points so far as the Cabinet decision had dealt with them, the Prime Minister then once again ap-

pealed to Mr. Mellon to make it certain that President Hoover appreciated the sincere regret of the French Government that it was unable to proceed along the lines which he desired. Laval then pointed out as an illustration of their good faith that the Minister of Marine tomorrow afternoon in the Senate will state, in presenting the naval appropriation for the coming year, that the construction of a 23,000-ton cruiser which was included in the original appropriation will be abandoned, provided that the German Government likewise agrees to halt its construction of vessels of the *Deutschland* class. Laval believed that this evidence of French good will should have great effect in the world at large in the interests of both disarmament and economy.

Once again Laval reviewed his difficulties with Parliament and said that under no circumstances did he wish to break off negotiations. He even suggested that the duration of the negotiations would demonstrate to Parliament the difficulty of them and that this would simplify his task. He wanted the next meeting to be held after the Government had weathered its interpellation tomorrow in the Senate. Even though he felt certain of a majority he did not want to complicate matters with another meeting prior to that time. The Ambassador and Mr. Mellon agreed to suggest to the President that no statement be issued and no action taken before the meeting to be held on Wednesday. They realized, however, that press speculation could not be prevented, but felt that this point was essential if an agreement were to be reached, however slight that possibility now might seem.

EDGE

462.00R296/4226

Memorandum by the Chief of the Division of Western European Affairs (Boal) of a Conversation With the British Ambassador (Lindsay)

[WASHINGTON,] June 30, 1931.

The British Ambassador called to say that he had informed his Government that Ambassador Sackett would make confidential representations to the German Government on the subject of suspension of the next ship of the *Deutschland* type and his Government had agreed that they would suggest to the German Government that they accommodate the French with respect to the Customs Union. He asked that the Department telegraph to Ambassador Sackett so that he would be informed of the situation regarding the Customs Union and would say that we shared the British view if he were asked by the Germans.

I read to the British Ambassador that part of sections 9 and 10 of Telegram No. 377 from Paris,[98] which states that the French Govern-

[98] Dated June 30, 2 a. m., pp. 105, 108.

ment expects to state that the construction of the 22,000-ton cruiser originally included in the French naval appropriation for the coming year will be abandoned if the German Government will likewise cease its naval construction of ships of the *Deutschland* type.

PIERRE DE L. BOAL

462.00R296/5042

Memorandum by the Acting Secretary of State [99]

WASHINGTON, July 1, 1931.

I asked Mr. Sackett whether he had heard from Mr. Mellon about the conversations going on in Paris and told him that it looked as though we had almost reached a deadlock with France. I told him that, if nothing was accomplished, the President was considering renewing his offer originally made to individual nations. This offer would naturally be made to France, as well as to anyone else, but I pointed out that, even if France refused to come in, there would be great relief to Germany. I told him the President would like to get Germany's reaction on this suggestion.

I asked Mr. Sackett to find out for us confidentially what the Germans were planning to do on July 15th, in case the President's plan fell through. I asked him also to let us know what the financial situation in Germany really was, whether it is what we believe it to be, in other words, very bad and, if bad, whether prior to July 15th they were planning to make some kind of a statement. I particularly warned Mr. Sackett that he was not to say anything to the Germans, especially in relation to the July 15th payment, that would seem to be in any way a suggestion from us that these payments should not be made. I pointed out to Mr. Sackett further that the British were going to talk to the Germans about the Customs Union and that I had told them that Mr. Sackett was going to talk about the battleship. This he said had already been done. I told him that some kind of a gesture from the Germans would be most valuable.

Mr. Sackett said that, in his talk with the Chancellor and the Foreign Minister, he had told them how serious the situation was and added that, if they had come to a decision on any question and had any suggestions to make, we wished they would make them to him immediately. Mr. Sackett said they also asked certain questions regarding the interpretation of various clauses in the French reply; that he had called up Mr. Mellon and got his interpretations; that he was going back to the Germans in a short time. He said that Mr. Mellon had suggested that he call me back later to get instructions as

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[99] Of trans-Atlantic telephone conversation with the Ambassador in Germany, June 30, 11:15 a. m.

to whether Mr. Mellon's interpretations were accurate. In the first place the Germans wanted to know what our idea was about deliveries in kind and wanted to know also whether it was possible to have any negotiations as to the 500 million payment, which was to be turned back to the Germans. I told Mr. Sackett that we had insisted on that from the beginning. He said Mr. Mellon thought it could not be done, but Mr. Sackett thought it could be done by having a special deposit in the bank, not under the statutes of the bank, with instructions to loan to Germany because if it could not be loaned to Germany the Germans would oppose the whole plan. He said even if they had to pay this money it would contribute to their relief at least one-third. Mr. Sackett said that if part of this payment were reloaned to other countries, it would be politically disastrous to the present government.

The Ambassador said that, after talking with the Chancellor, he was going to call up Mr. Mellon and asked whether he should call me. I told him to call if he had any real reaction which gave him anything interesting to say.

I told Mr. Sackett that we understood perfectly, we thought, the German position on the point of loaning part of the German payment to Central Europe and that we knew the French wanted this done for political reasons. We feel, in all probability, that some of these nations will need help in the course of the next year and we feel, therefore, such help can be given by the various Central banks just as it was recently given by the Reichsbank. I said, also, that if the Reichsbank should take part in such financing, it would be a very good thing for Germany. Mr. Sackett pointed out that in his last telegram to us[1] he gave what seemed to him the possibility of a compromise and asked that we instruct Mr. Mellon along those lines. I pointed out to him again that, if Germany would take the British suggestion, give up the Customs Union and if they accepted our suggestion on the naval question, the French would have very little more to say. Mr. Sackett answered that they will not do either of those things except on a promise that the French would accept the American proposal *in toto*, that is they want a *quid pro quo*. I reminded him that using the President's proposal as a lever was pretty bad business. Mr. Sackett said he realized we could not do this, but that the British could. I told him that I would talk to the British Ambassador.

I ended by asking the flat question as to whether he thought the Germans would be willing to make sacrifices and he said he felt they would.

W[ILLIAM] R. C[ASTLE, JR.]

[1] Not printed.

462.00R296/4200 : Telegram

The Acting Secretary of State to the Ambassador in Germany (Sackett)

[Paraphrase]

WASHINGTON, June 30, 1931—2 p. m.

98. This telegram refers to our telephone conversation. Yesterday our Embassy in Paris reported that in the session of the French Senate today the Minister of Marine intends to say that the building of the 23,000-ton cruiser which the French had originally included in their naval appropriation for this coming year will be abandoned provided that Germany will accordingly halt its construction of vessels of the *Deutschland* type. I trust that for their part the German Government will deem it possible to answer by abandoning such construction.

CASTLE

462.00R296/5043

Memorandum by the Acting Secretary of State[2]

WASHINGTON, July 1, 1931.

Mr. Sackett said that he had had another talk with the Chancellor and that the only suggestion which he could get and which he had already telephoned to Mr. Mellon, was to recognize the continuity of the Young Plan by a form of payment to the B. I. S. in bonds. This appeared to be a great deviation from the original plan. The bond issue, he said, would be used to pay the 560 millions net of unconditional payments, the bonds to be paid in installments each year from 1932 to 1958. The Germans seem to feel that these bonds might be used to furnish the guarantee fund obligation. They said that deliveries in kind would be wound up at once, carrying those through only which had been already financed by deposit in the B. I. S. This plan would relieve the German budget for the fiscal year 1931–32, although it would create an additional charge on Germany for subsequent years. Mr. Sackett said he had mentioned this in his telegram.

He stated that he had got information as to what Germany would do on July 15th, but thought it too risky to talk about on the telephone and would send us a cable.

As to the Customs Union, Mr. Sackett said the British made some sort of a proposition, but so weak that the Germans merely brushed it aside. He said the money received from the Central Bank had gone up to 50% and that included the 50 million reichsmarks which had been drawn out that day.

[2] Of trans-Atlantic telephone conversation with the Ambassador in Germany, June 30, 3 : 10 p. m.

Mr. Sackett also said that he had not discussed with the Germans the plan which was in the President's mind as to renewal of the offer to individual nations should France not accept the plan in any way which was adequate.

W[ILLIAM] R. C[ASTLE, JR.]

462.00R296/4217 : Telegram

The Ambassador in Germany (Sackett) to the Acting Secretary of State

[Paraphrase]

BERLIN, June 30, 1931—9 p. m.
[Received June 30—6:23 p. m.]

106. I have just seen Chancellor Bruening with reference to your question this afternoon over the telephone [3] as to what the German Government would do if the conversations with the French were broken off tomorrow. He said he would tell me only in the strictest confidence, but quite frankly, that if negotiations should definitely break down tomorrow Germany would give notice the following day of her intention of declaring a moratorium as of July 14. He stated further that Germany would try to meet the unconditional payment due July 15 and subsequent unconditional payments, but the question was how to find the money and the requisite foreign exchange at the time. I am not including this in my telephone conversation with you [4] as I do not think it should be sent over the telephone.

SACKETT

462.00R296/4219a : Telegram

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

WASHINGTON, June 30, 1931—10 p. m.

313. For Ambassador Edge and Secretary Mellon. You are authorized to present the following note to the French Government at your meeting tomorrow, July 1st:

The American Government recognizes with appreciation the cordial spirit of the French reply to the President's proposal of June 14th [*20th*] and now desires to review the situation which has grown out of the American proposal, the French Government's note in reply of

[3] See memorandum by the Acting Secretary of State, July 1, p. 109.
[4] See *supra*.

June 24,[5] and the subsequent negotiations which have taken place between Ambassador Edge, Secretary Mellon and the French Ministers.

While the President's offer was the direct result of the crisis in Germany which, from all reports appeared imminent and is still imminent, I am sure the French Government will realize that the purpose of the United States was to give general relief to the world. The President believed that it would prove an important step in advancing world recovery from the present economic depression. The plain purpose was, by relieving one element of strain in world economy, to give the forthcoming year to economic recovery, and to help free the recuperative forces already in motion, thereby contributing to the relief of unemployment throughout the world, and to lighten the burdens of unduly low prices to agriculture. The offer met with a world-wide response. What it meant in the way of restoring confidence is reflected in the rise of commodity and security prices throughout the markets of the world.

All of the interested governments have signified their acquiescence.[6] France, however, suggests certain conditions which, if we understand their import, seem to us to withhold the intended relief to Germany and not to conform to the spirit of the President's proposal which contemplated a complete suspension of all payments on inter-governmental debts during a period of 1 year. In order that we may now cover one point left open in the original proposal, we may add that it is our view that all postponed payments should be funded over a long period of say 25 years, and to bear interest at the average rate paid by the creditor governments on their own public debt at the end of the preceding fiscal year.

It is, of course, an essential part of the President's proposal that payments under all existing agreements shall be resumed at the end of the year. Thus the continuing force of these agreements is in no way impaired.

In this proposal to postpone for the forthcoming year the payments due under its own international agreements, the American Government will be contributing a total of $262,000,000, which is the largest contribution made by any Government. It recognizes, however, that substantial sacrifices will be called for by other governments, including that of France. It is obvious that on the success of the plan Germany will be the largest immediate beneficiary, since the payments which she is obligated to make during the coming year on account of inter-governmental debts are about $400,000,000. Other nations and dominions will also benefit by various sums in addition to this $400,-

[5] *Ante*, p. 62.
[6] See pp. 175 ff.

000,000. It must be remembered, however, that Germany is in the most difficult economic situation of any country. We feel that in a larger sense all the nations will benefit from the improvement in their economic life which will follow the adoption of the President's program.

Our Government welcomed the statement of France on the 24th of June, expressing her keen desire to collaborate and especially the specific statement that France "would abstain as a provisional measure and during a period of 1 year from retaining any payment sent by the German Government." In this connection we emphasize again the "provisional" character of the President's plan.

The French Government insists, however, as a matter of principle, that unconditional reparations amounting to approximately $131,000,000 [during] the year should be paid, in order that there might be no interruption of the continuity of the payment of unconditional annuities. Our Government is willing to recognize this point of view to the extent of agreeing that the payments should be made to the Bank for International Settlements, provided they be immediately reloaned to the German Government. This would maintain the principle of continuity of payment and at the same time constitute no drain on the German general economy. We seem then to be agreed on two all-important points:

First, that France will forego the retention of any payments from Germany for the period of 1 year, and

Second, that the principle of continuity of payment of unconditional annuities is recognized while complete relief to Germany is afforded.

There would seem to remain four points of difference:

First, we understand that the French Government desired to have the B. I. S. reloan the sums paid to German industrial and finance concerns rather than to the German Government. We feel this would be incompatible with the President's proposal of relief to governments, as the French suggestion would give no direct relief to the German Government.

Second: The French Government suggest that $25,000,000 of the unconditional payments paid into the B. I. S. should be made available for loans to Central European countries, more particularly those whose budgets are affected by the suspension of reparations payments.

The diversion of this sum from Germany is a violation of the broad proposal of the President to suspend all payments of inter-governmental debts. Moreover, the practical disadvantage of this exception to the President's proposal is that if any of the other countries who have already accepted the President's proposal should make a similar suggestion with reference to loans to particular countries, the recon-

ciliation of all these differences would be practically impossible. Could not the principle of the President's proposal be preserved and this relatively small amount of relief be given to particular countries through cooperative action of the Central Banks or through the B. I. S.?

Third: The two governments differ as to the time over which the suspended payments should be funded. Without at this time modifying our suggestion that 25 years is the proper length of time, we do not believe that it would be impossible to reach an agreement on this point provided the other questions could be disposed of, especially if no repayments are to be made in the next 2 years as suggested by the French Government. But, of course, the same length of time will apply to the payment on account of the American debt.

Fourth: The question involving the greatest difficulty is that referring to the guarantee fund. We recognize that, under the terms of the Young Plan, France is obligated, in case of suspension by Germany of conditional reparations, to pay into the Bank for International Settlements on demand the sum of approximately $120,000,000, to be applied in part to increasing payments to be received by other creditors during the period of suspension.

There are two aspects of the suggestion of France with reference to the Guarantee Fund:

A. France desires to be sure that the suspension of payments during the forthcoming year shall not throw upon her the obligation to pay into the Bank for International Settlements the Guarantee Fund. We sympathize with France in this aspect of the question. We think this fear is groundless because if all governments agree to the American proposal, then there can be no demand of a creditor government for payment. If France, however, has a real fear on this subject, then the other governments concerned should expressly free France from this anxiety.

B. The other aspect, however, of the question with reference to the Guarantee Fund is more serious. Not only the spirit of the President's proposal, but the express provision thereof is that the offer of the American Government is conditional on a like postponement for 1 year of all payments on inter-governmental debts owing the important creditor powers. It appears to us also to seriously impair the spirit of the declaration of France to the effect that she wishes no benefits from the payments. The French Government apparently desires her postponement of unconditional payments to take the form of a payment into the B. I. S. and a loan back to Germany. This naturally contemplates that those loans back to Germany should be on the same footing so far as length of time of postponement, etc. as similar arrangements made by any other government. When, how-

ever, the French Government couples with this suggestion the further suggestion that the loans back to Germany shall be considered exactly as though cash payments had been made by Germany to France and cash loans had been made back by France to Germany and that these loans should be considered in all future times as funds available to France to reduce or satisfy her guarantee as to subsequent years, she is departing substantially from not only the spirit but the substance of the President's offer.

To state the problem a little differently. France appears to be insisting that the funds paid by Germany into the B. I. S. during the year of suspension and reloaned to Germany must be credited to the guarantee fund just as if France herself had actually made the deposit, thus relieving France of any future obligation in respect of the guarantee fund. This seems to us to be inconsistent with the suggestion that the payment by Germany into the B. I. S. during the period of suspension is a mere matter of form, in order to assure the continuity of unconditional payment. What was regarded as a matter of form in the first instance is now evidently to be treated as an actual payment. In any event, it seems clear that this particular proposal involves a modification of the Young Plan, which we understand the French Government was particularly anxious to avoid. The American Government not being a signatory of course cannot undertake to negotiate change.

The American Government feels that perhaps there is some misunderstanding on the part of France as to the sacrifices which would be required from her under the plan proposed. We must assume that with the present situation in Germany and the failure of the American proposals, then Germany will unquestionably give notice for the postponement of all conditional reparations as provided in the Young Plan, and that this portion of inter-governmental payments will not be forthcoming.

Therefore, in measuring the sacrifices necessary there can only be considered the effect of the unconditional payments if Germany is able to find a foreign exchange necessary to meet these payments. In this connection we cannot ignore the fact that one-half of the $100,000,000 credit advanced a few days ago by the Central banks is already half exhausted.[8] If the American proposal shall fail and if unconditional payments are postponed under the provisions of the Young Plan, and even assuming that unconditional payments are maintained, France would receive from these unconditional payments, after priorities have been accepted, approximately $105,000,000. She would be obliged to pay:

[8] This sentence was deleted from the published version at the suggestion of M. Flandin on the ground that its publication might further injure German credit (462.00R296/4224).

(*a*) The guarantee fund of $106,000,000 under the Young Plan.

(*b*) $110,000,000 to Great Britain and the United States approximately.

Whereas her receipts from the unconditional reparations, even if they be maintained, would be less than one-half of this sum. Thus if the American proposal should fail and the suspension provisions of the Young Plan be invoked by Germany then France will be the loser during the forthcoming year of general postponement by over $100,000,000.

There is no escaping the fact that the world will not emerge from the present depression without temporary sacrifices by all. Our Government believes that cooperative action in the carrying out of a well conceived and agreed on program will not only diminish the burden but contribute materially to the restoration of normal conditions which all of the nations so earnestly hope for. In the light of this major objective the American Government hopes that the French Government whose cooperation is so essential will find a method to reconcile existing differences so as to permit a concerted effort by all in the carrying out of the President's program.

CASTLE

462.00R296/4219b: Telegram

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

[Paraphrase]

WASHINGTON, June 30, 1931—11 p. m.

314. For Mr. Mellon and Mr. Edge. If you think it advisable, you may show the French the following despatch, since it is deemed best for them to be fully informed as to our view on the entire question.

Because of the serious situation economically existing throughout the world and because all powers on whose adherence the working out of the proposal hinges have accepted, except France, the President feels that if it is impossible for France to reach an arrangement which will carry out the spirit of his proposal, he would consider announcing to the world his second suggestion, in order to counteract the reaction which a failure of the first proposal would undoubtedly bring about This second proposal is that the United States will agree to a post ponement of all payments by its debtors for a period of 1 year, to be funded in say 25 years, at an interest rate averaging that paid on our Government's own public debt at the termination of the preceding fiscal year. The President's second proposal would be open to acceptance by all powers who agreed to grant similar concessions to their debtors, on acceptance of the American proposal, whether these debts consist of reparations or intergovernmental obligations of another

nature. Naturally, it is understood that a concession of this character cannot be accorded by the American Government or by other cooperating governments to any powers which will not, in turn, make similar concessions to governments in debt to them. That is to say, the original proposition was made to all large creditor nations collectively and was made dependent upon acceptance by all of them. Because of the urgent need to ameliorate the existing situation of world-wide depression, the United States will still hold open its offer to postpone debt payments to each of its debtors individually subject to the conditions above described. Naturally, it is understood that any program of this sort is dependent upon Congress' approval.

The object of this suggestion is in no wise to bring pressure to bear on France for the acceptance of our proposals (as France will, of course, be included in this second offer), but in the thought that, in order to prevent chaos in the world economic situation and to preserve the advances made already, an action such as this is necessary to stem the tide.

CASTLE

462.00R296/4232 : Telegram

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

[Paraphrase]

PARIS, July 1, 1931—8 p. m.
[Received 9 : 10 p. m.[9]]

390. Reference is made to your telegram No. 313, June 30, 10 p. m., and to our telegram No. 388, July 1, 5 p. m.[10] Mr. Mellon and I met the French Ministers in a conference this afternoon as had been arranged. Mr. Mellon informed them that we had received from our Government a comprehensive review of the situation to date and had also communicated to Washington the result of our previous conferences. We handed French translations of a resolution prepared in the form of a memorandum to Briand, Flandin, Laval, François-Poncet, and Piétri. M. Briand remarked, after the memorandum had been read, that the document was an excellent one and that it afforded a good basis for further discussion. Laval's reaction was that it demonstrated the desire of the Government of the United States to reach an agreement, but that before any answer could be given the Minister of Finance and his Department would have to examine the document. M. Flandin, the Minister of Finance, expressed his disapproval.

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[9] Telegram in five sections.
[10] Latter not printed.

There then followed a general discussion of the major questions at issue. Laval remarked that he felt that the matter of the period of repayment could easily be worked out. We pointed out the sections of the note that were conciliatory, in particular the suggestion that when and if the occasion demanded it, some method could probably be found for arranging relief for countries other than Germany. The general response to this phase of the note was friendly, particularly on the part of Laval and Briand.

The problem of the guarantee fund and the differing viewpoints of the two Governments on this question were not discussed in detail, but both sides expressed the hope that some practical banking method might be worked out. There was no dissent from this desire, although no alternative plan was suggested, since this requires the attention of the full Cabinet Council.

Following this Mr. Mellon raised the necessity for publishing in its entirety the text of the note. Laval responded immediately that he felt that this would not embarrass them in the least and that he saw no objection to publication. Briand added that it would help clear up the situation. At this point, however, the Minister of Finance stated vehement disapproval. He indicated that he had no objection to letting the press know the details of the memorandum, but that the very fact that it was an official document put an altogether different light upon it and raised issues that would be certain to agitate the French Parliament and the press. In his opinion an official memorandum would demand a complete answer and would not be of assistance in the negotiations. He emphasized in particular his opinion that the publication of the reference to the fact that half of the $100,000,000 credit advanced to Germany by the Central Banks several days ago had already been exhausted, would serve no useful purpose and would still further disturb German credit. He was advised by the Ambassador that we would advise Washington to delete the passage if the note had not already been given to the press for release after this meeting.[11]

As to the wisdom of publishing the note, as already indicated, Laval and Briand had no objection; but Flandin, François-Poncet, and Piétri plainly indicated their preference that it be withheld. Flandin clearly stated that in his judgment the publication of the note particularly in the French press would increase the difficulties of adjustment. For our part the position taken was that since the French parliamentary debates attacking the position of the United States had been given wide publicity and were not entirely accurate, the publication of the note would serve as some clarification of the questions involved and so would be helpful rather than otherwise.

[11] The deletion was made. See footnote 8, p. 116.

It was decided that Laval would present the memorandum to a full meeting of the Cabinet tomorrow morning. Later on, at 3:15 p. m., Mr. Mellon and myself are to meet Flandin for an informal discussion of the Council's action. Then tomorrow (Thursday) at 9:30 p. m. the conferees will again meet to discuss further the action of the Council of Ministers.

Mr. Mellon has talked to Mr. Mills over the telephone since this telegram was prepared. I hope that the suggestion will be followed that in releasing the note for publication it be given out merely as a memorandum of information to Mr. Mellon and the Ambassador from the Department. At the conference the principal objection to its publication was that it had an official character. I understand of course that the portion making reference to withdrawals from the Reichsbank will be omitted.

After our telephone conversation with Washington, I personally called Flandin and informed him of the method to be used in releasing the note. He expressed much pleasure at the arrangement. We are also arranging here to delete the reference in question from the copies of the memorandum given to the other Ministers.

EDGE

462.00R296/4235 : Telegram

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

[Paraphrase]

PARIS, July 2, 1931—11 a. m.
[Received July 2—7:42 a. m.]

392. Yesterday Von Hoesch, the German Ambassador to France, asked for an engagement. Later Mr. Mellon and I received him at the Embassy residence. Von Hoesch stated at the outset that he had received a telephone call from Chancellor Curtius [*sic*] who had talked with Ambassador Sackett and in view of that conversation felt that it might be helpful if the German Ambassador discussed the situation with us. We reviewed the negotiations to this point and emphasized that the chief matter of disagreement was the insistence of the French Government that any loans made to Germany should be applied, in the event of Germany's declaring a moratorium, as a credit on the guarantee fund. The German Ambassador seemed quite familiar with these matters and suggested at last that as a concession Germany might issue bonds to the French Government payable in the 25-year period 1933 to 1958, the bonds covering the amount of the loan to Germany by France. We shall advance this idea as a possibility when the point is discussed in the conference tonight, although

neither Mr. Mellon nor I believe that the French will consider the suggestion very attractive.

We made every effort to point out clearly to the German Ambassador that it was important for Germany to be as liberal as possible in trying to solve this problem and that the negotiations might very possibly fail if the French were not satisfied on this particular point. We made the suggestion that Germany might possibly continue deliveries in kind and apply them on their debt or give security of some other type that would be considered practical from a banking standpoint. We said that after we had discussed this point more fully with the French we would get in touch with him again.

EDGE

462.00R296/5049

Memorandum of Trans-Atlantic Telephone Conversation [12]

[WASHINGTON,] July 2, 1931.

EDGE: There are one or two points in the conversation this morning between Mills and Mellon that I would like to make certain that you have clear in order that you may send us a telegram of instructions that can be decoded before our meeting tomorrow morning at eleven or twelve.

CASTLE: Yes, I heard everything.

EDGE: With reference to the paragraph numbered "third" in your telegram No. 313 of June 30 (top of page six in Department's "pink" copy), reading, "but, of course, the same length of time will apply to the payment on account of the American debt",[13] we want to make entirely sure that we understand your view. The French view is that whether their loan to Germany is for 5, or 10, or 25 years, they are not prepared to repay the United States for the suspended debt annuities on any different basis than any other country. The French take the position that they will lend Germany out of their own surplus, entirely out of their own money over and above any money that they owe the United States. Assuming that the United States is willing to give its debtors 25 years in which to repay the suspended annuities, the French object to paying their own debt to us on any different basis merely on account of the length of the term agreed upon for repayment of the amounts reloaned to Germany.

CASTLE: If they insist on Germany's paying back in ten years, they will have to pay us in the same length of time.

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[12] Between Mr. Castle, Mr. Mills, and Mr. Morrow in Washington and Mr. Edge in Paris, July 2, 4:30 p. m.

[13] *Ante*, pp. 112, 115.

MILLS: We will make the same provision for other countries. If it is ten years for France, it is ten years for England and for every other country.

EDGE: That is fine. That completely answers the first point. I just wanted to make quite sure that was your understanding.

I saw Tyrrell, who said he had told Briand this morning about the plans of the British Government for a discussion in London, and Briand replied that he could not possibly think of going at this time. To do so would be to give the impression in France that he was going to London to get instructions. On account of the difficult political situation he positively refuses to go.

CASTLE: I talked to Henderson [14] a little while ago and told him I thought it was important that our negotiations should be buttoned up before there is any conference in London, but that it would be very much worthwhile for the others to get together in London afterwards. He more or less agreed with me.

EDGE: That is splendid. Tyrrell is telephoning his Government to find out (1) whether London regards the Young Plan as permitting the distribution of the Guarantee Fund in such a way that the French will not be called upon to deposit more than will be required to pay the other nations under the Young Plan in case of a moratorium; (2) what is the British attitude on the question of a $25,000,000 loan from the central banks to the Central European countries, with the Bank of France participating to the extent of $10,000,000.

I should like to have from you tonight your general reaction with regard to these same questions.

We are pretty close to an agreement. The French don't want to break. In discussing the possibility of a further note from the French, it was Flandin's reaction that we had exchanged enough notes already and that we could get to a settlement faster through direct conversations.

CASTLE: The French delaying has already spoiled half the effect.

EDGE: All we need now, is a pretty general statement from you which will enable us to go ahead tomorrow.

CASTLE: That is exactly what we are doing now.

MILLS: We would like to know whether the British agree with the French interpretation of the Guarantee Fund before we send you our cable.

EDGE: That is impossible. We had the British Ambassador at a quarter of eight this evening, and he telephoned to London after that. He cannot get an answer before ten tomorrow morning. Give us your views and we will get those of the British experts. I do not see that we need worry about their views. If they are willing to meet the

[14] Arthur Henderson, British Secretary of State for Foreign Affairs.

French with regard to the Guarantee Fund, I think we need raise no objection since, as we have already pointed out, we are not parties to the Young agreement.

MILLS: I think so too. It is our view that the Young agreement is open to the French interpretation.

EDGE: The way Mellon feels is that the pertinent section does not prohibit it, and what is not prohibited can be done.

MORROW: Going back to the time period for which the payments are to be postponed; I think it is a good argument to use with them that by shortening the period they also cut down the period in which they and our other debtors must pay us. Paris being one of the financial capitals of Europe, the French would be doing themselves a good turn if they should agree to an extension of the period. By pushing the Germans, they are also pushing Europe to pay us.

EDGE: I think we might arrive at a compromise of from 12 to 15 years.

CASTLE: That is the minimum.

462.00R296/4251 : Telegram

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

[Paraphrase]

PARIS, July 2, 1931—10 p. m.
[Received July 2—9:17 p. m.[15]]

396. According to the arrangement, the Minister of Finance, M. Flandin, met with Mr. Mellon and myself at the Embassy residence at 3:15 p. m. today. At the outset he revealed a very much more receptive and promising attitude than he exhibited yesterday afternoon at our last general conference with Laval and others. He remarked at the very first that he felt that we could reach an agreement. He was calling to give us the reaction of the French Council to the memorandum which they had had under consideration at their session this morning so that we would be familiar with their viewpoint before this evening's conference.

He then went on to discuss the disputed points, stating that he was representing, with some exceptions to be noted later on, the view of the Council.

The first point relates to the wish of the French to have the Bank for International Settlements authorized to make reloans of the unconditional payments to German financial and industrial concerns rather than to the Government of Germany. Flandin said that on this question the Council of Ministers was willing to compromise to

[15] Telegram in ten sections.

the extent that the payments made by the German Railway under the Young Plan should be reloaned to the German Railway rather than to financial and industrial concerns as originally stipulated, and that these loans should be secured by 5-year bonds of the Railway guaranteed by the German Government.

The second point refers to the French demand that distressed countries other than Germany should have distributed to them through the B. I. S. one-fifth of the French portion of the unconditional annuities for the year of postponement. Flandin indicated that the Council of Ministers unanimously opposed any modification of this point, that the Government had promised in the debate in both Houses of the French Parliament that any arrangement entered into by France would contemplate help to these distressed countries when necessary, and that this was an internal political situation which could not be overcome. He then made reference to the American memorandum contained in the Department's telegram No. 313, June 30, 10 p. m., and to its suggestion that the comparatively small amount of relief required by particular countries could be given by the B. I. S. or through the cooperative action of the Central Banks. Flandin stated that a more definite proposal amplifying this suggestion would be necessary. Mr. Mellon then suggested that possibly the Bank of England, the Bank of France, and the Federal Reserve Bank could reach some understanding committing themselves to advance the comparatively unimportant amount of credits to take care of the situation. Flandin then suggested that he would be given a splendid argument and talking point to present to the Council of Ministers if these three banks could agree to underwrite $10,000,000 each to Rumania, guaranteeing a total of $30,000,000. In his opinion such a plan would be even better than the French proposal because it would provide approximately 5 million dollars more. He wanted to make it clear that this was only his own personal opinion, that the Council of Ministers had not discussed such a plan and was against any compromise. We informed him that we would be glad to send his suggestion on to Washington.

The third point is the question of the time of refunding. In this connection the Finance Minister raised a new point which was apparently prompted by the latter portion of your discussion of point 3 in your telegram No. 313, June 30, 10 p. m., wherein it was said that the length of time chosen for repayment would also apply to payments on account of the American debt. Flandin said that he considered that the French position in this regard was different from that of any other country; that France had a surplus of $100,000,000 in the interchange of intergovernmental debts during the year of suspension. In other words, the French receipts would be approximately

$200,000,000 and their payments to the United States and Great Britain $100,000,000, leaving a surplus of $100,000,000. This amount practically represented the unconditional payment from Germany which France was reloaning to Germany. France did not understand why it should have to repay its deferred payment to the United States in 5 years while other countries had 25 years, since France was loaning its own money, its own surplus, to Germany as a distinct transaction. France could not be as generous as the United States and wanted its surplus back in 5 years.

Flandin admitted that if the shoe were on the other foot and France were to receive less than it paid out it would be quite ready to accept 25 years in which to repay. We indicated to Flandin that we wanted France to be as generous as the United States and that his proposal was quite contrary to the inspiration and spirit of the President's broad, general plan. We were giving 25 years for the repayment of the $209,000,000 owed us and unless the French loan to Germany were on the same basis we did not see how the matter could be satisfactorily adjusted with all the technicalities which would be introduced. Otherwise there would be conflict with the repayments to us. Nevertheless, you will recall that the French negotiators have proposed a period of possibly 25 years in cycles of 5 years. When we meet tomorrow we shall discuss this point further.

Point 4. If the conclusion arrived at by Flandin is correct it would seem that the guarantee fund question, which has appeared to be the most difficult of all, has been eliminated from the controversy. Flandin stated that his Young Plan experts had drawn his attention to annex VIII, article 199 of the Experts' Plan. Under the terms of this provision the French experts felt sure that France would not be compelled to make an immediate deposit of 500,000,000 reichsmarks into the B. I. S. in the event of a moratorium being declared by Germany. The interpretation of Flandin and his experts was that France would need to pay into the guarantee fund only such sums as the directors of the Bank for International Settlements decided it should pay out. In other language, the countries sharing in this guarantee fund at the time of such payments would need only a portion of the total of the guarantee fund at its maximum. Flandin stated that they were making further investigations, but that the objection to the payment into the guarantee fund as quoted in the French note would be completely withdrawn if the above interpretation was correct.

Owing to the necessity of securing Washington's reaction to these several developments, it was thought best to delay the conference scheduled for 9:30 tonight until sometime tomorrow. We have not yet been definitely informed as to the time of our next conference.[16]

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[16] The next meeting was later set for 9:30 p. m., July 3 (462.00R296/4252).

Mr. Mellon has conferred by telephone with Mr. Mills since this telegram was dictated. Mr. Mellon informs me that Washington has an amended view on the funding period question and believes that a straight 10-year period would be preferable to the suggested cycles of 5 years. However, I assume that if a 10-year period is agreed to, France will be expected to pay its deferred payment to the United States in 10 years according to our interpretation of point 3 of your telegram No. 313 previously referred to. Flandin would particularly like a clarification of point 3.

EDGE

462.00R296/4261b : Telegram

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

[Paraphrase]

WASHINGTON, July 2, 1931—8 p. m.

322. With reference to our memorandum of the 30th of June, transmitted in telegram No. 313, which was delivered to the French Government yesterday by you, and with reference also to your conversations with French officials today, as told us on the telephone, it is our understanding that you believe that France will accept the proposition if the following matters are regulated:

1. Regarding the guarantee fund, the French Government now feels after a re-examination of the Young Plan that this issue can be dropped from the discussions, especially if their interpretation is the same as that of the other signatories of the Young Plan. As we are not directly concerned in this matter, the French suggestion would be acceptable to Washington.

2. Concerning the French demand that about $25,000,000 of the unconditional payments into the B. I. S. for loans be held available for use by the states in Central Europe, it is our understanding now that France will give up this demand if she is satisfied that the principal European Central Banks and those of the United States will agree together on a scheme for opening a credit of about this amount for the benefit of such of those states as may find it necessary.

Although the American Government cannot speak in the name of the Federal Reserve Banks, which are independent completely of any influence or control by the Government, we understand that the New York Federal Reserve Bank would, if the request were made and if the plan were approved by the Federal Reserve Board, be willing to arrange for a deposit of not more than $10,000,000 in the B. I. S. for use in accommodating the states in Central Europe which require help, on the condition that the Bank of France and the Bank of England

would participate each to an extent not less than the American bank. This information is for you and Secretary Mellon and for the French officials concerned.

It will naturally be understood that this matter cannot be adjusted through a governmental agreement. The working out of such an arrangement would have to be through direct negotiations between the B. I. S. and the Central Banks and would necessarily have to be subject to any limitations on the action of the Central Banks which may exist.

3. It is our understanding that the French Government proposes now that the Young Plan payments which are required of the German Railway Company into the B. I. S. should be paid as formerly and that that part of such payments which is for distribution to the different governments benefiting thereby is to be reloaned to the German Railway Company and will be available for whatever use may be determined by the Railway Company, including direct or indirect loans to the German Government.

From this proposal we understand that, during the moratorium year, the German Railway Company will continue payment to the B. I. S. through the latter's account in the Reichsbank the yearly contribution of 660,000,000 reichsmarks, as provided for in the terms of the German Railway Company's certificate deposited with the B. I. S. The Young Plan provides for a non-postponable annuity payable by Germany at the B. I. S. to the account of the creditor powers, amounting to 612,000,000 reichsmarks. This covers service of the 1930 German international loan (Young loan), but it does not cover service of the 1924 German external loan (Dawes loan) which is to be paid independently by Germany. For the purpose of maintaining intact the continuity of payments on the unconditional annuities, the payment by the German Railway Company in the year of postponement shall be made into the B. I. S. and shall be on account of Germany's liability to make the unconditional payment. Any balance of the 612,000,000 reichsmarks that may be left after service of the 1930 German international loan is to be loaned to the German Railway by the B. I. S. for the period agreed upon. The loan thus contemplated is to be made for the account and risk of the creditor powers which share the unconditional annuity according to their interests therein. Presumably the difference between the 660,000,000 reichsmarks and the 612,000,000 reichsmarks above-mentioned, is to be used on the service of the 1924 German external loan. (It is to be understood, furthermore, that Germany is to provide by separate means the necessary additional amounts to carry out payments on the 1924 German external loan.)

4. Regarding the length of time for funding the conditional and unconditional payments which are suspended, we feel still that it is preferable to agree on the period of 25 years rather than a shorter one. Mr. Hoover's proposal of June 20 very definitely stated that any governmental debt payments were to be postponed during the fiscal year beginning July 1st on the condition that a like postponement for 1 year would be agreed upon on all payments of intergovernmental debts owing the important creditor states. Consequently you will understand that the length of time provided for in the funding of the payments by Germany will fix the length of time for funding all payments to the American Government during this fiscal year, not only from France but from all other debtor states.

It is well at this point to indicate to the French that if the period of repayment by the Germans is fixed at a small number of years, the period of repayment granted to Europe as a whole by the United States will necessarily likewise be limited.

Nevertheless, in our effort to reach an agreement, we would be willing to accept the following: Suspended payments to be paid beginning not sooner than 2 years after the termination of the suspension year and after that the suspension payments to be funded by annual or semi-annual installments over a 10-year period. With respect to Germany this would apply both to unconditional and to conditional payments that are included in the suspension. As regards the rate of interest, the American suggestion has already been made.

5. As for the balance on current contracts covering payments in kind in the year from July 1, 1931, to June 30, 1932, we trust that France will take up this matter immediately with Germany and the other creditors of Germany who receive payments in kind with a view to a solution of the matter. In this connection our sole consideration is that whatever arrangement is made will accord with the general object of the American proposition.

In case it turns out that your belief that the French Government will reach an understanding with you on the points as outlined above is correct, we trust that you will close the matter with them at once and that they will agree then to transmit to the American Government through diplomatic channels a reply of acceptance to Mr. Hoover's proposition. The only conditions, in our view, which it would seem should be mentioned in the note of acceptance are those which have to do with the period of funding and the payments into the B. I. S. and reloans back to the German Railway Company.

Please repeat this to the American Ambassador at Berlin as Department's telegram No. 107.

CASTLE

462.00R296/4261c : Telegram

The Acting Secretary of State to the Ambassador in Germany (Sackett)

[Paraphrase]

WASHINGTON, July 2, 1931—9 p. m.

106. Our Embassy at Paris is passing on to you a confidential telegram to Mellon and Edge [17] giving an outline of the bases on which the discussions are now being carried on with France.

It is our hope that an accord may be arrived at, although we can give no assurance as to that. In case a settlement along these lines should be reached it would help a great deal toward the main object of the President's proposal if Germany would give it her heartiest support. The expression of her approval should not be limited solely to the President's action in making the proposal and in pressing untiringly for its acceptance, but we feel that it should include also an expression of appreciation of the cooperative support given by all countries, France included.

In order to induce the Germans to give it an approval of this sort, act according to your own judgment. In the past week we have been considerably exercised over the failure of the German Government to respond to the different suggestions which have been made by us in our attempt to reach a general agreement and gain the principal object in view. From the telegram being repeated to you from Paris, you will note that several points still remain to be settled and the attitude of Germany will be the principal factor determining the spirit in which these points can be taken up with the other countries involved.

Should it be essential in your opinion, in preparing the Germans for an announcement of the nature outlined above, you are authorized to notify them of the bases on which the discussions are being carried on. However, in that event you understand that it is essential that no information regarding the progress of negotiations or the nature thereof should leak back to Paris from Germany. Privately for your information, it is possible that if an accord is reached it may come within the next 2 days.

CASTLE

[17] *Supra.*

462.00R296/4260 : Telegram

The Ambassador in Germany (Sackett) to the Acting Secretary of State

[Paraphrase]

BERLIN, July 2, 1931—midnight.
[Received July 3—1 : 12 a. m.[18]]

108. For the President and the Acting Secretary of State. I have seen Chancellor Bruening since my telephone conversation of this afternoon. My discussion with the Chancellor followed my conversation this morning with Foreign Minister Curtius, during which I urged, according to my instructions, the need for some statement by the Government on the matter of warships which would also constitute an assurance to all that none of the sums made available to the German Government for purely economic rehabilitation would be allowed to result in any increase in German naval or military establishments. My conference with Curtius was most serious and I fully stated the urgent need for the German Government to issue some statement evidencing cooperation in securing acceptance of the plan for the debt moratorium.

This afternoon I discovered that long and serious discussions had been held by the German Cabinet on the subject of my visit, and this afternoon Chancellor Bruening gave to me with complete frankness and with grave concern this picture of conditions here: The actual bank returns do not sufficiently indicate how acute the financial situation has become in the last few days. He told me in strictest confidence that the largest concern in Bremen is on the verge of disaster unless some method of rediscounting through the Reichsbank can be worked out for relieving such banks. At the present moment it seems doubtful that this can be done. The concern in Bremen referred to above is deeply involved with two of the Darmstädter Banks in Berlin. If this failure takes place, 50 million beneficiaries will be involved. This is merely an added development that may break at any moment on the serious internal situation of Germany.

If this failure and other expected smaller failures materialize, the tide of radicalism which has been steadily accumulating will be precipitated. I was told by the Chancellor tonight that his only hope of saving Germany from a radical debacle, which he believes to be imminent, lay in the army. If the events set forth above occur, the army, in which Bruening has full confidence at present, may have to be called in by the early part of next week. He said that he could not impress upon me in too strong terms the necessity of setting this situation before you.

[18] Telegram in two sections.

Bruening was convinced that any public statement made by the Government which implied any renunciation of the meager rights granted by the Treaty of Versailles to Germany, especially with regard to the right of Germany to build cruisers as replacements for the over-age ships which are now a part of the German Navy, would have so great a "symbolic" meaning for the German nation that it would revive all the antagonisms and passions which had been allayed with some difficulty last spring at the time of the Reichstag debates on this subject. Even though this is principally a naval question, the younger army officers in particular would view this as so great a renunciation of the interests of the armed forces of Germany that the loyalty of the army would be heavily jeopardized. Bruening feels that notwithstanding the desperate financial condition of the country it is his obligation to safeguard the one arm of defense that is available for his use in controlling imminent disturbances, and that he has neither the strength nor the ability to risk sacrificing that protection—an eventuality which he knows, from his acquaintance with the serious internal political situation, would result if he issued a statement such as you feel should be made.

In spite of what the Chancellor said I again laid before him the fact that the peoples of the world thought that Germany was receiving everything and giving nothing, and I went over with him the sort of statement that I felt he could make. He warned me that this request that it be publicly stated that the German Government had abandoned any part of its treaty rights with regard to the construction of cruisers would bring on a situation which could not be controlled, but admonished me to tell you that he was genuinely willing to do everything that the safety of the country permitted him to do.

Bruening tells me that it is not at all his intention to use any of the money which accrues to Germany as a result of the moratorium year for increasing the annual military and naval appropriations over and above the appropriations which have been made for this year.

At the end of our conversation Chancellor Bruening told me that he would call his Cabinet together this evening and try to draft the most favorable statement that the situation will permit. I will telegraph that statement later tonight.

From the intimate association I have with the Chancellor I feel that the picture I have given above is his own honest view of the present situation in Germany. My personal feeling had been that the situation was not so serious as he portrays it; but the present moderate Government is so essentially a Government by a very small minority, as Embassy reports have emphasized, that it is not able to take a firm stand against the extremists in the Nationalist camp, no matter how blind their opposition may basically be. Copy sent to Paris.

SACKETT

580766—46——16

462.00R296/4263 : Telegram

The Ambassador in Germany (Sackett) to the Acting Secretary of State

[Paraphrase]

BERLIN, July 3, 1931—2 a. m.
[Received July 3—1:32 a. m.]

109. The following statement has now been given to me:[19]

"In view of the fears which have sprung up in some circles that the amounts released in the German budget by the relief from reparation payments might be used to increase armaments, I declare that an increase in the appropriation for the army and navy during the holiday year has never been contemplated nor will it take place. The aggregate alleviations accruing to Germany from the Hoover Plan are required and will be used in their entirety to cover the deficits in revenue which are to be expected, to consolidate financial conditions, and to save German economic life".

In delivering the above statement to me Von Bülow[20] again stressed the point that Bruening still hoped that publishing such a statement would not be necessary and that in all likelihood no one in Germany anticipated that the appropriations for the army and navy would be increased by the amount saved in the budget. A statement such as this would only make people suspicious as to what commitments Germany might have made under pressure. However, if it were thought necessary to publish the statement, Chancellor Bruening would still want to do it in as inconspicuous a manner as possible; that is to say, to insert this statement in a speech if the occasion arose to deliver one in the next few days, otherwise to issue it through the Wolff Telegraph Service as an official communiqué. It seems to me that this view, along with the nature of the statement itself, brings out sharply the state of mind of the Government and the Chancellor and their extreme hesitation about taking the step which you have requested. In consideration of all the above circumstances may I have your instructions?[21]

SACKETT

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[19] Quotation not paraphrased.
[20] Under Secretary of State in the German Ministry for Foreign Affairs.
[21] The statement was released to the press in Washington on July 5; see Department of State, *Press Releases*, July 11, 1931, p. 39.

462.00R296/4285a : Telegram

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

[Paraphrase]

WASHINGTON, July 4, 1931—1 a. m.

328. It is our opinion that the time has now come when if a definite acceptance is not obtained tomorrow from the French, you should consider very seriously whether it may not be appropriate then to hand them the second proposal of the President, which was set forth in our telegram No. 314, June 30, 11 p. m. Two weeks have gone by since Mr. Hoover offered on behalf of the people of the United States to give up for 1 year all payments due the American Government on intergovernmental debts on condition that the principal creditor nations would consent to a similar suspension on debts due them. The proposal's principal merits were its comprehensiveness, its simplicity, and the fact that it could be applied immediately. The long-drawn-out negotiations with the French Government involving technicalities and details of application have clearly shown that if all such incidental and collateral matters have to be decided on before the general proposal is accepted and applied, its primary object will have been lost.

The discussion, which seems to be without end, is leading to no satisfactory results, and conditions in Germany are going from bad to worse without let-up. Consequently, in the hope of saving something from the muddle, President Hoover has under consideration making his second proposition on Monday morning, July 6.

CASTLE

462.00R296/4285b : Telegram

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

WASHINGTON, July 4, 1931—2 a. m.

329. In order that the French may have the points clearly before them, we suggest that you furnish the following memorandum:

The American Government is pleased to understand that the French Government is now in general agreement with it on all major questions of principle which have been before the two governments for discussion and concerning which the American Government is an interested party.

1. That France will forego the retention of any payments from Germany for the period of 1 year, and that the principle of continuity of payment of unconditional annuities is recognized while complete relief to Germany is afforded. We understand that this

point is now settled by the provision that the payments made by the German Railway Company to the Bank of International Settlement shall be reloaned to the German Railway Company on the following conditions:

Insert here paragraph 3 of our No. 322 of July 2nd.

2. That the French Government suggest that $25,000,000 of the unconditional payments paid into the B. I. S. should be made available for loans to Central European countries, more particularly those whose budgets are affected by the suspension of reparation payments. The American Government did not feel justified in accepting this proposal, but understands that the French Government considers that a Central Bank credit would be an adequate substitute for the original French suggestion. The American Government points out, however, that action by the Central Banks cannot be made the subject of an agreement between governments.

3. That the two Governments differed as to the time over which the suspended payments should be funded, including, of course, both conditional and unconditional reparations. The American Government understands that the French Government is now willing to defer all repayments for 2 years from the end of the year of postponement and thereafter that they be repaid over a period of 10 years in equal annual or semi-annual instalments providing certain other questions are satisfactorily disposed of. This funding period is satisfactory to the American Government.

4. As to the guarantee fund, we understand that the French Government now indicates that it can drop this from the discussion so far as the American Government is concerned.

5. That in so far as deliveries in kind are concerned, the American Government has consistently taken the position that the solution of the problem arising from existing contracts falling due in the year July 1, 1931 to June 30, 1932 should be a matter for later discussion and solution by experts of the different interested powers, the French having already agreed that they will retain nothing during the years of suspension. The solution as worked out should, of course, be within the spirit of the President's proposal.

It appears, therefore, that on the major question, namely, the principle of continuity of the unconditional payments, the method of affording complete relief to Germany by the reloaning of the sum deposited on account of the unconditional payment with the B. I. S., the principle of complete suspension of all payments for 1 year, and the period of the funding of the suspended payment, the two Governments are in substantial accord. The other questions do not appear to be of such a character as to justify further postponing of final agreement between the two Governments, particularly as they involve difficult technical questions under the Young Plan, to which the

United States is not a party. The American Government suggests that they could, with propriety, be left to a committee of experts from the treasuries of the principal interested powers, but that they should be settled within the spirit of the President's proposal.

The American Government offers a positive form of termination of the negotiations, and that is that the French Government should accept the President's proposal and refer all technical questions not already agreed upon to a committee, as suggested above, with instructions that they should work them out within the spirit of the President's proposal.

CASTLE

462.00R296/4270: Telegram

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

PARIS, July 4, 1931—2 a. m.
[Received July 3—10: 20 p. m.]

402. The following communiqué was issued at the close of this evening's meeting with the French negotiators:

"Mr. Mellon, United States Secretary of the Treasury, and Mr. Walter Edge, Ambassador of the United States, conferred at the Ministry of the Interior tonight with Monsieur Aristide Briand, Minister for Foreign Affairs; Monsieur Pierre Etienne Flandin, Minister of Finance, and Monsieur André François-Poncet, Under Secretary for National Economy. The President of the Council, whose presence was required at the Chamber, left immediately after the opening of the conference.

The two delegations continued to examine President Hoover's proposal and the French reply. Mr. Mellon confirmed the fact that the American Government had accepted the principle of the continuity of unconditional payments by Germany under the Young Plan. Several other points over which there had been certain differences of opinion were eliminated. Those which remain of lesser importance will be submitted to the examination of the Council of Ministers tomorrow.

An agreement on the technical and financial aspects of the negotiations seems possible of acceptance very soon conditional of course on the adherence of the other interested powers".

EDGE

462.00R296/4271: Telegram

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

[Paraphrase]

PARIS, July 4, 1931—3 a. m.
[Received July 4—2: 58 a. m.]

403. At 9: 30 this evening the meeting took place. Laval, however, was unable to remain except for the first few minutes since he had to

attend the concluding session of the Chamber of Deputies to read the declaration of cloture probably not before 4 o'clock in the morning. We went over the situation with Briand and Flandin. The point concerning the use of the money loaned by France to the German Railway was agreed upon according to the proposals in your telegram No. 322 of July 2, 8 p. m. It was also agreed that the declaration concerning the intention of the Federal Reserve Bank of New York to deposit a credit of 10 million dollars in the Bank for International Settlements in cooperation with the Bank of France and the Bank of England for assisting Central European countries was to be understood with one condition, that those countries which had suffered from the suspension of the conditional payments under the Young Plan should receive priority. This was interpreted to mean that all Central European countries might benefit subject to the proviso concerning priority.

The guarantee fund question and the French interpretation of the Young Plan was briefly discussed. The Minister of Finance reported that his experts were confident of their interpretation and said that the matter was a technical one that would necessarily have to be passed upon by the B. I. S. This whole subject, therefore, could be dropped from consideration for the present.

The only remaining questions were the period for the repayment of the money loaned to Germany during the moratorium year and the question of current contracts for deliveries in kind. The French still insisted on 5 years for the repayment period and no arguments could shake them on this issue. However, they did make the proposal that the payment should be one-fourth each year following the year of suspension, with the added stipulation that if at the beginning of each year the Young Plan was still in force the payment should be only one-eighth. In this way the whole period of payments would be extended to 10 years. Mr. Mellon pointed out that since the United States could not continue the debts owed to it on the contingency of a continued existence of the Young Plan, a proposal of the nature indicated would be entirely unacceptable to the United States. He said further that it would certainly be a great injustice to the debtors of the United States who were in no way concerned with the Young Plan to require them to pay one-fourth of their debts in any given year merely because the Young Plan happened to have been suspended.

Since it seemed impossible to settle the above point, there was next a discussion of the question of the continuation of deliveries in kind under current contracts. We indicated that this seemed to be a matter for regulation by the Germans and the French directly. In a short discussion the French stated their opinion that deliveries in kind were just the sort of assistance to the economic life of Germany desired by President Hoover. Mr. Mellon then suggested that the

two questions, the period of payment and the question of deliveries in kind, might possibly be combined. He asked whether France would not be willing to accept the President's suggestion of 10 years after the year of suspension and the year of nonpayment if Germany would agree to continue deliveries in kind under current contracts. M. Flandin stated that he felt quite certain that the Council would accept such a suggestion and that he was practically sure of a complete agreement if we could obtain any assurance on this point before the Council meeting tomorrow at 4 o'clock. We promised that we would take up the matter with Washington urgently. The meeting of the Council was set for 4 o'clock tomorrow, and not at an earlier hour because Laval would be unable to leave the Chamber of Deputies much before 6 o'clock in the morning.

We next spent nearly an hour discussing the text of the communiqué, which we will send to you separately.[23] We tried to obtain a more optimistic tone in the wording of the communiqué, but Laval did not wish to injure at the last moment his position in Parliament or the situation of the French negotiators before the Council tomorrow with an impression that an accord had already been decided upon without them and, so far as that is concerned, without him. The communiqué therefore can be interpreted to the press of the United States as a cold statement of prospects.

The French Government has in mind the calling of a conference of the other countries whose consent is necessary to many of the technical details. M. Briand said that this conference would meet shortly at Paris in order to complete and ratify the technical phases of the agreement which has already been reached in principle between the United States and France.

The Minister of Finance, Mr. Flandin, hopes to receive from us some information on the combining of the questions of deliveries in kind and the period of repayment before tomorrow afternoon when the Council meets. Tomorrow evening after the Council interrogations we will have another meeting with the French negotiators.

In view of Mr. Mellon's telephone conversation with Mr. Mills and our own feeling we propose to advise Flandin tomorrow during our conference with him that the proposal to have Germany continue deliveries in kind under current contracts involves so many difficulties that it cannot be accepted. We will also tell him that the repayment period of 12 years as set forth by us must apply to all nations and that it is the last proposal that we can make on this subject. Likewise we intend to see Briand prior to the Council meeting and inform him definitely that we can make no further concessions and that if the

[23] *Supra.*

Council of Ministers cannot see its way clear to meet the situation which is now definitely presented there seems to be no alternative other than to recommend that the President go ahead with his announced plan of approaching governments individually. We have already intimated this possibility to the conference.

EDGE

462.00R296/4272 : Telegram

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

PARIS, July 4, 1931—3 p. m.
[Received July 4—11 : 56 a. m.[24]]

404. The following is the question discussed by Mr. Mellon with Mr. Mills at 2 : 30.

We are assured by M. Flandin, the Minister of Finance, that the French Government will agree to the 12-year repayment period if the American Government will state that if an agreement can be reached between France, Germany and the other interested powers on the continuation of the deliveries in kind for the year 1931–1932, it will interpose no objection.

We understand from M. Flandin that the total of these payments is 250 million reichsmarks but all but 120 million had already been contracted for and financed which means that the German budget in the coming year only would be affected to the extent of 30 million dollars which could be financed internally over a longer period by the Government of the Reich to its own national[s].

A favorable answer would remove all existing questions as per your 329 [25] which are capable of settlement between the United States and France and make an agreement in principle possible tonight.

EDGE

462.00R296/4272 : Telegram

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

WASHINGTON, July 4, 1931—2 p. m.

330. For Secretary Mellon and Ambassador Edge.

1. In our cable of July 4, No. 329, we stated, in substance, that insofar as deliveries in kind are concerned, the American Government has consistently taken the position that the solution of the problem arising from existing contracts should be a matter for later discussion and solution by experts of the interested powers, but that the solution as worked out should, of course, be within the spirit of the President's proposal.

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[24] Telegram in two sections.
[25] Dated July 4, 2 a. m., p. 133.

2. We understand from your No. 404, July 4, 3 p. m. that the suggestion has been made that referring this question to a committee of the interested powers would be acceptable providing the limitations which were suggested, namely, that the solution must be within the spirit of the President's proposal, is not insisted on. In other words, we understand that the French are willing to leave this question to future settlement by agreement among the European creditor powers and Germany providing the President will interpose no objection to any agreement so reached. What the French apparently have in mind is an exception to the general principle insofar as payments in kind under existing contracts are concerned. This would be a clear violation of the fundamental principle laid down by the President that there should be complete suspension of payments for a period of 1 year. It is also contrary to the statement made by the French Government that it would retain nothing in the way of payments during the year of suspension.

3. But aside from the question of principle, we must point out the inevitable dangers to the success of the whole plan from any exception of this character made for the benefit of any nation. For example, if the French are to receive payments in kind during the year of suspension, then under Annex Ten of The Hague Agreement,[26] the British Government is entitled to Reparation Recovery Act payments, which they have notified us they will claim. It is probably true that other countries entitled to reparations in kind, even though they be not covered by existing contracts, might insist that they are entitled to their share, as they will probably refuse to recognize the mere fortuitous existence of a contract as the determining test. In short, if once the broad principle covering the entire proposal is impaired and an exception made of this character, it runs the risk of a whittling away of the President's offer, step by step, until a point is reached where the American people will be the only ones who are making a complete sacrifice. We could not, under any circumstances, go before the American people with such a proposal. Moreover, any departure from this principle, insofar as the important creditor powers are concerned, would be a breach of the understanding reached with the leaders of the Congress and would make it impossible to obtain the necessary legislation in December.

4. As already stated, however, we believe that the way to deal with the problem now is to have the French Government accept the President's proposal outright and leave the question of existing contracts covering deliveries in kind for settlement by experts of the interested powers whose conclusions would be acceptable to us if they accord with the spirit of the President's proposal.

CASTLE

[26] Great Britain, Cmd. 3484, Misc. No. 4 (1930), p. 100.

462.00R296/4272 : Telegram

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

WASHINGTON, July 4, 1931—12 p. m.

332. We understand from Mr. Mellon's telephonic communication [27] that the position of the French Government which they propose to embody in a formal memorandum is as follows:

"1. The French Government recalls its previous reservation conditioning final agreement on the execution of existing contracts for deliveries in kind and it emphasizes that these contracts pass between private persons and do not come within the scope of inter-governmental obligations.

The American Government declares that it cannot commit itself on this point. It maintains that the study and solution of this question shall be referred to a council of experts representing the interested powers."

It appears to us that this memorandum states definitely and affirmatively that the French Government believes that deliveries in kind, in so far as they are covered by existing contracts are to be considered as obligations between private individuals and do not fall within the President's proposal relating to the suspension of payments of inter-governmental debts. And in the second place that in so far as the American Government declares that it cannot commit itself on this point it is assumed that we adopt a neutral attitude. Both of these propositions are entirely inconsistent with the position which has been consistently held by our government. We have stated repeatedly that we recognize that deliveries in kind, in so far as they were covered by existing contracts, might require special treatment and that a solution of this problem could be best arrived at by referring it to a committee of experts providing that any solution arrived at should be in the spirit of the President's original proposal. That proposal contemplated a complete suspension for 1 year on payments of all inter-governmental debts. While, therefore, in one aspect deliveries in kind under existing contracts constitute obligations between private parties they are, nevertheless, a device for the transferring of funds from one government to another. To the extent, therefore that they constitute a burden on the budget of the debtor government and a corresponding benefit to the budget of the creditor government they clearly fall within the provisions of the President's proposal relating to the complete suspension of all inter-governmental payments.

You should therefore, if possible, get in touch with the French Foreign Minister, Prime Minister or Finance Minister, tomorrow,

[27] No record of telephone conversation found in Department files.

Sunday, and inform him that the formula submitted by telephone tonight, if accurately understood is unacceptable to this government.

While we are quite willing to leave the working out of the necessary adjustments of contracts relating to deliveries in kind to the body of experts, you should state very definitely that we cannot accept any proposal that contemplates benefiting the budget of one country at the expense of the budget of another. To state it even more clearly we cannot consent to the transfer of payments from the German Government to the French Government by means of deliveries in kind during the period of suspension any more than we can consent to the transfer of cash payments.

We propose to advise you further, after we have had the opportunity of reading the text of the French memorandum which we understand you are cabling, but in the meanwhile we think it is only fair for you to state to the representatives of the French Government that on the question of payments in kind our position is final and unless acceptable to the French Government we propose to break off negotiations Monday morning. In this connection as furnishing in part some of the reasons which have led us to this definite and final conclusion we refer you to our cable number 330, July 4, 2 p. m.

Please show the entire memorandum including the texts you telephoned us to Tyrrell with a view to obtaining reaction of British Government.

CASTLE

462.00R296/4273 : Telegram

The Ambassador in France (Edge) to the Secretary of State

PARIS, July 5, 1931—3 a. m.
[Received July 5—1:32 a. m.[28]]

405. The following text of a basis of agreement was worked out at tonight's meeting from a text agreed to at the French Council meeting this afternoon. It is a complete acceptance of the 12-year repayment principle and the formula for aid to Central Europe. You will see that we have relegated the questions of deliveries in kind and of the utilization of the money released to the German budget to the same position as we succeeded in accomplishing with the guarantee fund question which previously caused difficulty on the interpretation of which the French have received informal assurance of the concurrence of the B. I. S. In other words these are entirely referred to the interested powers without any commitment by the United States

[28] Telegram in ten sections.

whether or not the decisions of the experts in these matters would be within or without the principle of the President's proposal cannot be judged in advance. In the meantime the proposal would be operative.

There will be a meeting for a final decision on this text Monday at 3 p. m. Any substantial modifications will require another French Council meeting.

1. All inter-governmental obligations relating to Germany including debts shall be released and relief debts shall be postponed from July 1, 1931 to June 30, 1932 on the express condition that the Reich pay the unconditional annuity amounting to 612,000,000 marks this payment under article 89 of the Young Plan not being postponable.

2. In conformity with the request of the American Government the payments from Germany known as the conditional payments which shall not be payable by the Reich over the above mentioned period shall be demandable in 12 annuities beginning from July 1, 1931, the first 2 annuities to fall due on July 1, 1932, and July 1, 1933, without interest and the refunding to be distributed over the 10 last years.

The 12 annuities referred to above shall be distributed among the creditor powers in proportion to the respective parts of each in the conditional annuity postponed in the year 1931–32.

Interest shall be calculated in principle and conditional upon certain necessary technical adjustments on the basis of the rate of interest payable by the creditor governments on their public debt over the most recent budgetary period.

3. The annuities due on war debts which shall be suspended from July 1, 1931 to June 30, 1932, shall be repayable under the identical conditions provided above, the interest to be based on the rates of interest paid by the creditor governments on their public debts over the most recent budgetary period.

4. To emphasize its desire for an agreement the French Government for its part agrees that payments to be made by the Reich on the unconditional part falling due between July 1, 1931 and June 30, 1932, and paid over to the B. I. S. shall be held by the latter institution after the sums required for the requirements of the Young loan are deducted, and invested in German Railway Bonds (Reichsbank), guaranteed by the German Government and the Reichsbank or in place thereof in certain financial institutions to be determined later. These bonds shall be subject to the same interest and refunding conditions as provided in paragraph 2 above; the corresponding annuities shall be convertible and shall be distributed between the creditor governments in the proportions applied by the Hague Accords to the distribution of unconditional payments;

The creditor Governments, the Government of the United States of America, the B. I. S. and the Reich agree to facilitate their immediate conversion to the profit of the powers having rights in these payments.

The French Government expects other governments creditors of the Reich to adopt the same policy with respect to their part in the unconditional annuities. If, however, anyone of these powers adopts a different policy it shall not under any condition prevent the carrying

into execution of the above provisos in so far as they relate to the French part.

5. The American Government declares itself disposed to intercede with the Federal Reserve Board in view of the creation at the B. I. S. of a special fund of 30 million dollars to be set up conjointly with the Bank of France and if it shall agree with the Bank of England each of the three institutions taking due note of their statutes, to accept a one third part. This special fund shall be administered and invested in the discretion of the B. I. S. priority to go to the countries of Central and Eastern Europe specifically affected by the postponement of German payments.

The French Government shall approach the Bank of France to the same end; the manner of creating and employing this special fund shall be determined by the Central Banks acting in accord with the B. I. S. with due note of the priority provision referred to above.

6. The French Government conditions its final adherence to President Hoover's proposal and to the stipulations of the present accord, on the approval of the B. I. S. of the following formula governing the creation of the guarantee fund provided for in articles 196 and following of the annexes of the Young Plan.[29] Paragraph 199 of the annexes referred to above has left it [to] the B. I. S. to decide under what conditions France shall deposit the sums called for under this article, it being understood that each of the powers other than France shall receive monthly payments in cash equal to the amount it would have received if the non-postponable annuity had been distributed in the same proportions as the total annuity.

The B. I. S. shall come to an agreement with the French Government that the payments to its account shall be made on a monthly basis, and not in advance, to the extent necessary to provide the other powers with sums to which they will ultimately have a right under the provisions of the articles referred to above and of the corresponding articles of the Hague Trust Agreement.[30]

7. The French Government refers to its previous reservation conditioning its final agreement on the execution of existing contract[s] for deliveries in kind, and it emphasizes that these contracts, entered into by private persons, do not come within the scope of intergovernmental obligations.

The American Government declares that it cannot commit itself on this point. It maintains that the further study and solution of this question shall be referred to a committee of experts representing the interested powers.

8. The French Government refers to the terms of its note relative to the assurances which it expects from the Reich with reference to the utilization of the sums which shall be released to the German budget; assurances upon which its final accord shall be conditioned.

The American Government merely takes note of this position.

EDGE

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[29] See Great Britain, Cmd. 3343 (1929), Annex VIII, pp. 65–66.

[30] See Great Britain, Cmd. 3484, Misc. No. 4 (1930), pp. 68 ff.

462.00R296/4275 : Telegram

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

[Paraphrase]

PARIS, July 5, 1931—8 p. m.
[Received 9 : 25 p. m.[31]]

407. Reference is made to your No. 332 of July 4, 12 p. m. At 2 : 15 today Mr. Mellon and I called on M. Flandin at his residence and handed him extracts in French and English of the telegram under reference and also a copy in French of telegram 329, July 4, 2 a. m. We had previously given M. Briand a copy of this telegram in translation before the meeting of the Council on Saturday. M. Flandin expressed his hope that an agreement could yet be attained and proposed as a suggestion the modification of the American position on the question of deliveries in kind as set forth in point 5 of telegram No. 329. We have telephoned this counterproposal to you. In translation it is as follows : [32]

The French Government refers to its previous reservations on the amounts necessary for the execution of the contracts for deliveries in kind and emphasizes that these contracts already entered into between private citizens should not be included in the category of inter-governmental obligations.

The American Government having declared that it could not agree that the amount of the payments in kind should not be included in the sums to be placed at the disposition of the B. I. S. for the benefit of Germany, the French Government makes the following proposal:

That [France?] not being responsible for a possible interruption of deliveries in kind, Germany should not make any claims with respect to the cancellation of any contracts now in force.

The two Governments agree to refer the question for study to a committee of experts of the interested powers.

You will readily understand that, although the language is rather ambiguous, the French Government has at last agreed to return to Germany the total amount of the unconditional payments received during the moratorium year. Thus France will enjoy no advantage over any other nation by retaining deliveries in kind. However, in making this proposal the French insist that it may be necessary to abrogate some current contracts for deliveries in kind with Germany. The French position is that by buying their goods in Germany a premium of 10 to 12 percent is paid by French nationals who would naturally prefer to patronize their own producers. This is done in order to assist in the liquidation of the reparations.

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[31] Telegram in three sections.

[32] Text of counterproposal not paraphrased.

Mr. Mellon and I told M. Flandin that as yet we had not received Washington's reaction to the completed French proposal which was accepted by the French Cabinet and which we had sent out early this morning. We indicated, however, that we doubted very much that Washington would accept point 8 which deals with the use of the money loaned to Germany. Flandin made the admission that this point had been inserted over his protest by a majority of the Council of Ministers.

Briand and Laval are absent from Paris until tomorrow noon. Flandin also will leave this afternoon but will return before our meeting with the French Ministers which is scheduled for 3 o'clock tomorrow afternoon. We assured Flandin that we would advise him by telephone at his country place after we had submitted his proposal to Washington and received your response. This will be done so that we may carry out your instructions to give the French your final position as clearly outlined in your telegram No. 332, which would be effective unless Flandin's counterproposal is acceptable to you.

Mr. Mellon has talked with Mills since I dictated the above. He has been told that a counterproposal on this point has been submitted by you to Ambassador Claudel. Until we receive a copy of this new proposal we are pretty much up in the air here. If a revised proposal has been submitted through Claudel, Mr. Mellon and I are at a loss to understand why we are instructed to break off negotiations completely if the Department's telegram No. 329 is not accepted by the French.

EDGE

462.00R296/4272½

Memorandum of Trans-Atlantic Telephone Conversation [33]

MR. EDGE: Ogden, I am just a little in the air, and Mr. Mellon is right here by me, about that counter proposal. We got the telegram this morning, No. 332,[33a] telling us to call off the negotiations unless the French Government would accept the article in Section 5 [34] of [*on*] the deliveries in kind. We go up there and tell them that and Mr. Mellon has told you they had another counter proposal which is pretty close to what you would imagine would be acceptable, and you have given a counter proposal through Claudel. When was that done?

MR. MILLS: That was done five minutes before Mr. Mellon called up.

MR. EDGE: You want to give it to us by telephone because we won't get it until tomorrow morning.

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[33] Between Mr. Edge in Paris and Mr. Mills in Washington, July 5, 12:30 p. m.
[33a] July 4, 12 p. m., p. 140.
[34] Of telegram No. 329, July 4, 2 a. m., p. 133.

MR. MILLS: We are going to give it to you by telephone and by cable and we thought it would not do any harm if it came from the French side. You will get a long cable from us the first thing in the morning. That cable we sent you last night was just a preliminary warning because the house is on fire; we cannot go on negotiating any longer.

MR. EDGE: Unless they agree—it was an ultimatum with our version of deliveries in kind—we were through. That is it exactly. The instructions were very clear that we should give him this memorandum. The only point I make is that it is a little embarrassing. This was prepared by Claudel or by the Department?

MR. MILLS: We were discussing this morning what is meant by the spirit of the President's proposal. I said that if the French Government would be willing to re-loan the money to the Reich I thought that came within the spirit of the American proposal.

MR. EDGE: We had instructions earlier in the day to call the whole thing off. Flandin is out in the country waiting for an answer.

MR. MILLS: We have never departed——

MR. EDGE: Our position is final and unless accepted by the French Government we propose to break off negotiations Monday morning. We told them that.

MR. MILLS: We did not tell you to show him the memorandum.

MR. EDGE: We did not show him all of it; but we showed him enough of it.

MR. MILLS: We *do* mean it now; you need not have any concern on that score; we mean that very definitely because we cannot wait any longer.

MR. EDGE: The only point I am making is the reason I called you back just now is I want to be sure that we got this counter proposal absolutely straight because we want to notify Flandin that there is a counter proposal on the way through Claudel which takes the same position. We have been working very hard over here and we have been getting these telegrams off to you about 3 a. m. every morning.

MR. MILLS: So have we, when it comes to that.

MR. EDGE: See if I get this correct. Your proposal now is that the German producer will be paid for the stuff which he is exporting to France by the German Government. The purchaser in France will pay for the purchase [at] the contract price to the French Government. The French Government will deposit this amount in the B. I. S. to reloan to Germany.

MR. MILLS: That is the substance of it.

MR. EDGE: I have a stenographer here if you have it in full.

MR. MILLS: I have a stenographer here, too.

MR. EDGE: We are going to get Flandin on the phone in order to tell him your reaction to his proposal and we cannot get him until

tomorrow, that is we won't get your telegram until 10 or 12 o'clock so I should like to get it by telephone. I am putting Mr. Pell on with a stenographer.

MR. MILLS: First, as to Mr. Flandin's counter proposal.[35] In making the reference to the Committee of Experts, it fails to specify that the solution must be within the spirit of the President's proposal; second, we told Mr. Claudel this morning that in interpreting what we meant by terms within the President's proposal we would consider that if the French Government would re-loan to Germany the sums put at its disposal through existing contracts for deliveries in kind we would consider such a solution as falling within the spirit of the President's proposal.

Now, in the memorandum which I have just dictated to you my No. 1 paragraph refers to the counter proposal referred by phone this morning.

(circuit broken—15 minutes delay)

1:20 p. m. from Paris (continued):

MR. MILLS: Hello, Walter, will you read that memorandum over to me again?

MR. EDGE: The memorandum you dictated?

MR. MILLS: Yes, will you give it to me?

MR. EDGE: This is the way it reads: In making the reference to the Committee of Experts it fails to specify that the solution must be within the spirit of the President's proposal.

MR. MILLS: I was referring to the counter proposal made by M. Flandin to you and Mr. Mellon this morning.

MR. EDGE: I understand that. That is very true. They have not and won't insert in the paragraph about the Committee of Experts; they will not insert the words that it must be within the spirit of the President's proposal. All they say is to leave it to the experts to work it out and the future would have to decide whether the decision is in the spirit of the President's proposal.

MR. MILLS: The President won't budge on that point.

MR. EDGE: That point, however, becomes —— unless the President will consider the proposal Mr. Mellon gave you an hour ago.

MR. MILLS: Which proposal?

MR. EDGE: France then loans the unconditional payments back to Germany and if necessary cancels or abrogates the delivery in kind transactions. Don't you understand?

MR. MILLS: I understand it is bad business for all parties to abrogate the payments in kind contracts.

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[35] See telegram No. 407, July 5, 8 p. m., from the Ambassador in France, p. 144.

MR. EDGE: The whole hope of it is that France and Germany will come to an agreement entirely outside but we have gotten them to agree about the initial contracts that France will not grant deliveries in kind on the unconditional payments and they reserve—in other words, it must be paid in cash by Germany just as they pay anyone else. I realize that is not all we want.

MR. MILLS: Now, wait a minute.

MR. EDGE: Now I will notify Flandin not later than 8 o'clock tomorrow morning, when he comes in from the country, whether that is acceptable or not. Of course we told him today very frankly that we could not move from your section No. 5 of the Memorandum No. 339 [*329*] which we officially delivered to them all yesterday. Now he comes back with the idea of not breaking off these negotiations; he is very earnest about it and I am glad that I had the authority to call off the negotiations. Now he comes back with a proposition we have given you. The point of the Committee of Experts doesn't mean anything at all, but he admits the principle of the President's proposal.

MR. MILLS: See if I understand you. The French now say that they are willing to abrogate all contracts covering deliveries in kind.

MR. EDGE: That's right. In other words, they prefer to deal with the French producers because, as you probably know, it costs them from 10 to 12 percent more to request deliveries in kind on account of the reparations.

MR. MILLS: I can tell you right now what our answer will be. I understand all that. I can tell you what our answer will be; that we are not interested one way or the other whether these contracts are carried out or not. I think we will tell you that we are not interested one way or the other whether these contracts are abrogated or not, but if they are carried out then, within the spirit of the President's proposal, the creditor government must not profit.

MR. EDGE: But if they are not abrogated, then under the proposal we would——

MR. MILLS: We do not care whether they are abrogated or not. That is none of our business, but if they are not abrogated, if they are carried out, they must be carried out within the spirit of the President's proposal. In other words, the French budget must not profit from deliveries in kind.

MR. EDGE: In other words, they would be outside unconditional payments.

MR. MILLS: I dictated a point, No. 2, with reference to reloaning the money back to Germany.[36]

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[36] *Ante*, p. 147.

MR. EDGE: Yes, I will read it to you as we got it. (Here reading) The proposal we have referred to—you put it down as Mr. Mellon read it to you.[37]

MR. MILLS: I have it now.

MR. EDGE: Are you clear as to what it means?

MR. MILLS: I do not think it is at all clear as to what it means. I think I have rarely read a statement that is more clouded. It is impossible to tell what it means. It is very difficult to understand what it means.

MR. EDGE: You put down your interpretation of it and put it on the wire as soon as you can, so we can check it sometime tonight.

MR. MILLS: Does this proposal that you telephoned us mean that they are willing to abrogate all these contracts?

MR. EDGE: Yes, exactly what it means. But they have put a proviso in there which I did not give you this morning. They are prepared to abrogate all their contracts but they have difficulty in doing it legally; there are difficulties in doing it. Then they propose, as I understand it, they still propose to——

MR. MILLS: I have got it. You might also tell them that the Reichsbank has formally notified the German Government that there is no exchange available for making payments on July fifteenth.

MR. EDGE: We have not the official notification but we imagine from the reports that that is so, but we think it worried him.

MR. MILLS: They are not going to get anything anyhow.

MR. EDGE: They are going to get all the worst of it if they do not get in. I thought it would be unwise today, whether you meant it or not, to practically call off the negotiations tomorrow. Mr. Mellon and I agreed with it when we talked last night and I believe it is somewhat ambiguous and should like to have your definition of it. We practically threatened him, to tell him what we felt all along that we will not——

MR. MILLS: But listen, the agreement which they gave you last night[38] is so full of jokers that it is perfectly impossible to accept. They are [*It is*] absolutely loaded—every paragraph.

MR. EDGE: We realize that, absolutely impossible. You have that before you?

MR. MILLS: Yes, they have loaded every paragraph,

MR. EDGE: We only sent it to you because they delivered it to us as a result of the Council meeting. We worked until two o'clock in the morning until we almost went to sleep. It was impossible, but don't

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[37] Transcription apparently inadequate. Reference at this point appears to be to the "basis of agreement" transmitted to the Department in telegram No. 405, July 5, 3 a. m., from the Ambassador in France, p. 141, and apparently telephoned to Washington earlier by Mr. Mellon.

[38] See telegram No. 405, July 5, 3 a. m., p. 141.

get entirely discouraged about it. If you can get these deliveries in kind straightened out I have not the slightest idea but that the section will be stricken out and the expert language there can be changed and come back with—But you give us a full telegram on it and put it straight from the shoulder and let us have the telegram tomorrow morning that we will deliver an absolute ultimatum. I think tomorrow morning's telegram must not be one for us alone but it must be one we can hand to them.

MR. MILLS: Yes, I understand. That is all.

(Conversation ended at approximately 1:30 p. m.)

462.00R296/4273 : Telegram

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

WASHINGTON, July 5, 1931—10 p. m.

335. [Paraphrase]. For Mr. Mellon and Mr. Edge. There are two parts to this telegram. The first part contains (*a*) our comments on the basis of agreement, the text of which was sent in your telegram No. 405, July 5, 3 a. m., and (*b*) our views with regard to the present status of the negotiations with the French and final instructions. The second part is a note which we desire you to submit to the French Government and which states the terms of the agreement which we are ready to conclude with the French Government.

Part I (A). It was our understanding that we had come to agreement with the French on all the larger questions of principle which have been discussed by the two Governments and in which this Government is directly interested, namely, the principle of the suspension of all payments for 1 year, the period of the funding of the suspended payments, the principle of continuity of the unconditional payments, the method of affording complete relief to Germany by the reloaning of the sums deposited on account of the unconditional payments with the B. I. S., and the question of Central Bank credits to Central European countries. We understood that the French Government felt that the guarantee fund question could be dropped from the discussion so far as the American Government is concerned. We refer you to our telegram No. 329 of July 4, 2 a. m., in this connection.

The problem which remains arises out of the current contracts for deliveries in kind. This Government has consistently held that this problem should be a matter for later discussion and solution by experts of the various interested states, but that the solution must be within the spirit of the President's proposal. (The French have already agreed that they would retain nothing during the moratorium year.) The French proposal for deliveries in kind made on July 4 and contained in your telegram No. 405 is as follows:

[Here follows the text of point 7 of the basis of agreement proposed by the French and transmitted to the Department in telegram No. 405, July 5, 3 a. m., from the Ambassador in France, printed on page 141.] For the reasons stated in our telegram No. 332 of July 4 this proposal is unacceptable.

Mr. Mellon has indicated that today M. Flandin has submitted a new counterproposal. Although the language of the counterproposal is not clear, it is our understanding that it is in substance as follows: The Government of France is quite ready to nullify all current contracts for deliveries in kind for the year of the moratorium provided that the French Government and its citizens can be relieved from any liability at law for breach of contract, and if it does not prove practicable to nullify these contracts then the French and American Governments will refer the matter to the study of an experts' committee formed by the interested powers. So far as this counterproposal is concerned it is evident that the abrogation of the current contracts for deliveries in kind would end this particular problem in so far as it has any effect on the proposal of the President. Therefore the American Government has no further interest in the matter and could raise no objection. This Government understands, however, that in numerous instances it may be undesirable from an economic standpoint to nullify these contracts, that some of the creditor powers may not be willing to do so, and that it may prove to be impracticable in other cases. We are quite willing in such an event to refer this particular problem to a committee of experts of the interested powers. We insist, however, that the solution of these problems must conform to the spirit of President Hoover's proposal. The last French counterproposal omits this stipulation, and it is therefore unacceptable.

If any creditor Government whose budget is benefited by payment arising from deliveries in kind during the moratorium year agrees to reloan these funds to Germany and to have them funded over a period of 12 years, this Government would consider that such a solution was within the spirit of President Hoover's proposal. You may so inform the French Government.

According to our understanding of the negotiations which have taken place for the past 10 days, the question of current contracts for deliveries in kind is the final one on which there is any considerable difference between this Government and the French Government. If, therefore, the French Government is ready to accept the solution outlined above, there should be no difficulty in attaining a final accord.

You are instructed to submit the note which appears in the second part of this message to the French Government and to attempt to reach an agreement on this basis by your subsequent negotiations. Our telegram No. 328, July 4, 1 a. m., is accordingly modified.

Our comments on the text of the proposed agreement which was prepared by the French Cabinet and submitted in your telegram No. 405 of July 5 follow:

We understand Point 1, although it is very ambiguous, to provide for the continuity of the payment of unconditional annuities, a principle to which we have already agreed.

Point 2, relating to the funding period, differs from the proposal which according to our understanding had been accepted, in that it provides for 12 annuities for repaying the suspended obligations, the first 2 annuities due on July 1 of 1932 and 1933, without interest. Our proposal, on the other hand, was that the first 2 years following the period of suspension should require no repayment and that the amount funded should be repaid thereafter in equal annual or semi-annual installments with interest over a period of 10 years.

Point 3. We understand the third point to mean that all suspended payments on intergovernmental debts should be repaid upon the same conditions that would apply to the reparation payments which were suspended; also that the proportions of conditional payments allotted to the various creditor states under agreements now in effect should remain undisturbed, and that the interest rate for the payments which are suspended should be based as a general principle on the average interest rate paid by the creditor governments on their public debts during the budgetary period just preceding the period over which interest is paid.

Paragraph 2 of Point 3 [4] is very ambiguous. If this paragraph means that the sums which are payable to the United States in the year 1931–32 and which are to be suspended according to the provisions of President Hoover's proposal are to be repaid out of the 12 annuities arising from the repayment of the conditional reparations which are suspended, such a proposition is totally unacceptable to the Government of the United States, since it purports to establish a direct relationship between Germany's reparation payments and the obligations due the United States on account of its war and post-war advances to the Allied Governments in the face of the well-known policy of this Government and in direct opposition thereto. This paragraph, as has already been stated, is ambiguous and this may not have been its meaning; but if this meaning was intended, you should make it wholly clear to the French that no such proposition could be considered.

Point 4. This point provides that the unconditional payments made by Germany during the moratorium year and paid over to the Bank for International Settlements shall, after the funds needed for the services of the Young loan are subtracted, be invested in bonds of the German Railway which shall be guaranteed by the Reichsbank

and the German Government or, in place of this, invested in financial institutions to be decided upon later. We point out that it was our understanding that the funds paid into the Bank for International Settlements should come from the German Railway and then be reloaned to the German Railway for its use in any manner that it might choose.

The French Government's suggestion that the funds might be loaned to certain financial institutions is a suggestion which is entirely new and which is not acceptable to the American Government. Point 4 suggests in addition that these bonds shall be of such a nature that they may be offered to the public and that Germany, the B. I. S., the Government of the United States, and the other creditor governments are to aid their immediate conversion to the profit of the states possessing rights in these payments. This is a suggestion which has never before been put forth by the French Government during the whole course of negotiations. It is an obvious attempt to mobilize the unconditional payments during the moratorium year and is in clear contradiction to the willingness expressed by the French Government not to retain any of the annuities due France during the moratorium year. The French Government would make no noteworthy sacrifice during the year of suspension if this proposal is accepted and provided the bonds could be marketed. This suggestion so clearly violates the spirit and the letter of President Hoover's proposal as well as the French Government's note of acceptance that the American Government must reject it without qualification. In this we leave aside all of the technical difficulties which are involved in this suggestion and which relate to existing priorities. If any such provision should be adopted it should apply with equal force to the obligations received by this Government.

Point 5. This point states that the Government of the United States declares itself ready to take up with the Federal Reserve Banks the creation of a fund of $30,000,000 in the B. I. S. to be set up jointly with the Bank of England, if it shall agree, and the Bank of France. This fund will be administered and invested at the discretion of the Bank for International Settlements with priority in loans to the Central and Eastern European countries which may be particularly affected by the moratorium on German payments. It has been repeatedly emphasized and it must be known to the French Government that the American Government does not control the Federal Reserve Banks and makes it a policy not to influence their actions. A governmental agreement cannot include any actions of the Federal Reserve Board or the Federal Reserve Banks. However, we have informed you of our understanding that the Federal Reserve Bank of New York City would, if asked, and subject to the concurrence of the

Federal Reserve Board, be willing to deposit not more than $10,000,000 in the B. I. S. for use in accommodating Central European countries which may need assistance. This deposit would be made upon the condition that the Bank of France and the Bank of England would each deposit an amount not less than $10,000,000. We believe that the Federal Reserve Bank of New York City in taking this action would naturally assume that in granting credits the B. I. S. would take into consideration only economic factors and that political factors would not be called into question. We are confident that the suggestion that certain countries should have a priority constitutes a political element which would at once result in the refusal by the Federal Reserve Bank of New York City to participate in any way in the granting of deposits or credits.

Point 6. This point has reference to the guarantee fund which the Hague Agreements provide for. This Government will not dispute the French interpretation of the relevant provision. The United States Government, however, is a party to neither the Young Plan nor the Hague Agreements. Therefore it cannot assume the right to interpret or modify any part of those agreements. The French Government must take up the interpretation of the guarantee fund clause with the signatories of the Hague Agreements.

Point 7 is concerned with payments in kind that are covered by current contracts. The French Government takes the position that these contracts are outside the scope of intergovernmental obligations since they are contracts between private persons. Although it is true that contracts between private individuals are involved in payments in kind, nevertheless cash transfers from one government to another are effected by this means. Payments in kind clearly fall within the terms of the President's proposal to the extent that the budget of the debtor government is adversely affected by payments in kind and the budget of the creditor benefited. It is recognized by this Government that current contracts may need special treatment, and it is our suggestion that this matter be referred to a committee of experts of the interested powers. We must insist, however, that the solution which is worked out must conform to the spirit of President Hoover's proposal. Point 7 is unacceptable because it fails to include this last proviso and assigns to this Government a neutral attitude on a matter which involves a fundamental principle of the President's proposal.

Point 8. We call the attention of the French Government to the fact that Germany has today already made a declaration containing an assurance such as the French Government has requested.

With the exception of our comments on Point 8, Part A is designed to explain to you why the French memorandum is not acceptable.

I would avoid discussing the detailed points of difference treated in Part A since, in view of the situation in Germany, we desire to try for agreement with the French on a general statement of principles given in Part B.

Part I (B). The developments which have now taken place make it doubtful that the disaster which is impending in Germany can be stopped. There have been so many delays by the French Government and they have involved us in technical matters of such a nature that it is almost impossible to make plain to the American public the vital points at which the President's proposal is being destroyed. Technicalities such as these would in the long run undermine completely the principle and objective of Mr. Hoover's proposition. For these reasons, we feel that we must adopt another plan of action from that which you have been instructed to pursue up to the present time. We now believe that there should be laid before the French Government a simple proposal of principles as well as the machinery for determining technical points and questions in disagreement, which proposal, if France is disposed to come to any understanding at all, they will be willing to agree to. Refusal of such a scheme would make their stand clear to the world at large. Accordingly, we wish you to present the following note to the French Government, the acceptance of which should be strongly urged. At the same time you should give them clear reasons, which reasons are being sent you by telegram, why their note cannot for one moment be considered as a basis for agreement. Our object all along has been to keep the proposal on general and simple lines and in an atmosphere of cooperation by all parties. Should France refuse to accept the scheme thus presented, it will be plain that they are refusing the President's proposition. By this means, you will be, we hope, in a position to telegraph us either that there has been definite acceptance or definite refusal by the French Government. Our intention is to keep the original proposal of the President open to the nations of the world because, as developments have occurred, we believe it unwise to make the President's second offer, with which you are already acquainted. It is our belief that the original proposal is more apt to be successful and will be plainer and more understandable to the world in general if it is maintained in its original form and if the French Government is obliged to make a choice and accept the consequences thereof. The American Government has no threats to offer in this connection. Our impression is that France is making no effort to solve the problem but is trying to prevent acceptance of the proposal and to make it appear that we are responsible for its failure by building up a fog of technical details. In case tonight's proposal is rejected by the French, we will continue to express the hope that in the end they will

fall in line and in the meantime we will await developments. [End paraphrase.]

Part II. "The American Government regrets that the French Government could not accept its memorandum of July 4 as a basis for agreement.

The merit of the President's original proposal was its clearness, comprehensiveness and simplicity of application. It was intended to offer the maximum of relief where relief was most needed. It entailed temporary sacrifices on the part of several governments, but the President believed, since the United States was itself assuming more of the burden than any other single government that the others would gladly fall into line. The American Government was disappointed that the French Government could not see its way clear promptly to accept the proposal in principle since then it would have enabled the plan to have become effective immediately. The American Government has always understood that there would be many technical details to be settled later but has proposed that a committee of experts of the Treasuries of the interested powers should work them out under instructions to conform to the spirit of the President's proposal. The French Government knows that immediately on the announcement of the President's proposal the world took new hope; that this was reflected in immediate, almost universal strengthening of commodity and security values, as well as a very distinct improvement of the situation in Germany and elsewhere. The French Government will also recognize that the delay in coming to an agreement along general lines has already had an ill effect in Central Europe.

(2) The French Note of July fourth [39] does not accept the American proposal in principle and contains many variations from our previous understandings; it suggests new technicalities difficult of understanding. It involves the United States in agreement upon questions solely within the province of the creditor powers under the Young Plan; it outlines solutions which modify the spirit of the President's proposal and would not result in that full relief which his plan proposed and upon which full American sacrifice was based. It opens the door to the exceptions from other Governments; requires action from the United States in respect to the Federal Reserve Bank and in relation to issues of securities all of which render it wholly impossible as a basis of accord.

(3) To avoid all difficulties the American Government proposes the following definite joint statement of principles by the two Governments worded so to bring matters to a conclusion and assure relief to the world.

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[39] i. e., the "basis of agreement" transmitted in telegram No. 405, July 5, 3 a. m., from the Ambassador in France, p. 141.

'On the major questions which we have had under discussion for the past 2 weeks we are in substantial agreement. We have agreed to the principle of the American proposals. We are agreed that postponed payments are to be repaid over a period of 10 annual installments beginning 2 years after the expiration of the postponement period. We are agreed that the rates of interest on all deferred payments shall be controlled by the average rates paid by the creditor nations on their public debt at the end of the preceding budgetary period. We have agreed that against the account of unconditional reparations, payments are to be made by the German Railways into the Bank of International Settlements and that these sums are to be re-loaned to the German Railways on a similar period as above. We are agreed that no monies are to be diverted from German payments to loans to other Governments. (Such questions to be taken care of through the action of central banks.) We are agreed that no question arises between the American, French or German Governments over the question of the Guarantee Fund.

We agree to dispose of the question of reparations in kind together with the technical questions and relations which arise as between the several creditors under the Young Plan, the technical questions which arise on the form of securities to be given by the German Railways, and all other questions which may arise to a Committee of Experts representative of the Treasuries of the principal interested powers, with overriding instructions that they shall work them out within the spirit of the President's proposal.' "

We wish to urge that acceptance by the French Government of the above would constitute an ample agreement in this connection and will enable the world to realize its accomplishment.

CASTLE

462.00R296/4276 : Telegram

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

PARIS, July 6, 1931—2 a. m.
[Received July 6—12 : 47 a. m.[40]]

408. Mr. Flandin delivered to me at 8 o'clock tonight the following brief outlining the viewpoint of the French Government in connection with the discussion of the disputed question of deliveries in kind.

"The French Government maintains that the contracts for deliveries in kind made between private individuals, do not fall within the category of strictly intergovernmental obligations and that the execution of existing contracts must be assured outside of President Hoover's plan, as was done, upon the proposal [of] the President himself in the servicing of the Young and Dawes loans.

The American Government affirms on the contrary that deliveries in kind in so far as they constitute a charge upon the budget of the

[40] Telegram in eight sections.

debtor government and a corresponding benefit to the budget of the creditor government, fall within the provisions of the President's proposal relating to the complete suspension of all intergovernmental payments.

The French Government wants to make clear that it has never proposed the making of new contracts during the year of suspension although one may well question whether in the interest of the debtor it would not be opportune, as has been recommended by all qualified experts, to facilitate rather than to practically forbid payments in kind which would free it from the future obligation of money transfers.

The French Government also wants to recall that it never asked to receive by means of deliveries in kind payments from Germany in addition to the unconditional annuity. It proposed on the contrary to deduct the amount of such deliveries, continued during the year of suspension, from the unconditional annuity.

Such a proposition would thus free to this extent the German economy from the subsequent transfer in francs corresponding to the reimbursements of the loan granted by the B. I. S. for the account of France to the German railways. It would thus constitute [*contribute?*] to the restoration of confidence in German currency by reducing in the future the amount of the foreign monies to be transferred by Germany.

The French Government could not moreover conceive that the American Government, when it proposes to refer the question to a committee of experts with the proviso 'that any solution arrived at should be in the spirit of the original proposal of President Hoover', means by that to prejudice the decision of the experts and in case the mechanism of the deliveries in kind should continue to function, put France in such a position that it would have to pay back to the B. I. S. for reloaning to the German Economy the counter value of the deliveries in kind that it would have received during the suspension year.

The American Government cannot be ignorant of the fact that the French Government, in order to favor the development of deliveries in kind, consents to reduction of its credit for the benefit of contractors and that its budget is thus burdened correspondingly. Nor can it be ignorant of the fact that deliveries in kind are in a large measure set apart for works of public or general utility which may entail financial participation of the statutes under one form or another and that such works would doubtless not be carried out other than by deliveries in kind. It would be inadmissible that in a crisis which affects French industries as well as foreign industries the Government of the Republic should levy, upon the receipts of its budget already showing a deficit, which deficit will be aggravated by the suspension of the payments of Germany, the sums destined to pay for purchases to be made in Germany as deliveries in kind. The French taxpayer, who is one of the most heavily taxed in the world, would never consent to this. Moreover there is no reason to emphasize how much such a solution would be contrary to President Hoover's proposal which provided for a general suspension of intergovernmental payments but not the granting of governmental credits to failing Germany.

The final result, consequent upon the position taken by the American Government, will therefore be at least, in so far as France is concerned, the stopping of deliveries in kind. It is hardly probable that this solution would be considered by world opinion as 'a means to hastening the end of the present world economic depression', even according to the terms of the American *aide-mémoire*. The French Government could not in any case accept any responsibility whatever under this circumstance.

The Government of the Republic would have difficulty in understanding why the negotiations, during the course of which it has given proof of the highest spirit of conciliation, should be broken off on the question of deliveries in kind. It did not ask the American Government to intervene in support of the French thesis which obviously should be discussed not only with Germany but with the other creditor powers. It cannot admit, however, that a commission which moreover counter-charges the responsibility of intervention in this question, should in advance raise obstacles to the French proposals by judging them incompatible with the Hoover proposal. The Government of the Republic, which is preoccupied solely with putting into effect measures useful to the general economy and with remedying the monetary crisis of Germany, dares to hope that the American Government will recognize that France by the very virtue of the conventions she signed at The Hague, has the duty to reserve the question of deliveries in kind".

EDGE

462.00R296/4284 : Telegram

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

PARIS, July 6, 1931—noon.
[Received July 6—8 : 02 a. m.]

410. Your 335, July 5, 10 p. m. A hasty reading of your criticisms of the French proposal contained in our 405, July 5, 3 a. m., indicates difficulties on points of drafting on the first seven paragraphs which I feel can be adjusted since there is little question that it was the French intention to meet our points of view on these subjects at the session at which this draft, which had been passed by the Council of Ministers, was discussed and which did not close until 1 o'clock. We concentrated our entire attention on paragraph 7 concerning deliveries in kind and warned that paragraph 8 would not in all probability be acceptable since it was not germane to the subject. At that late hour there was no time for discussion of the other paragraphs and we said we would seek your reaction. Mr. Mellon and I are seeing Flandin at noon today.

EDGE

462.00R296/4285 : Telegram

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

PARIS, July 6, 1931—3 p. m.
[Received July 6—10:47 a. m.[41]]

411. M. Flandin proposed in our conversation this morning that the settlement of the controversy over deliveries in kind be referred to the committee of experts to consider all the technical details involved; otherwise, this will reach a state of impasse. He recognizes on the side of the American Government that we shall not accept any solution which is not in harmony with the President's proposal, i. e., that deliveries in kind be considered the same as cash and be reloaned to Germany. On the other hand, he contends, as outlined in the French note (reference)[42] that the French conferees and the French Council are under pledge to Parliament that unexecuted contracts of deliveries in kind shall be carried outside of the reloan to Germany.

In order to meet President Hoover's demand that the entire reparations fund shall be reloaned to Germany during the year of suspension M. Flandin agrees that all existing contracts for deliveries in kind not financed which amount, as previously stated, is about 120,000,000 reichsmarks will be postponed until after the year of suspension, that is, June 30, 1932. The French already have about 105,000,000 marks on deposit at the B. I. S. for the purpose of financing other unexpected contracts which, being financed, would not enter into the matter.

The practical result of this proposal would be that France would, as insisted upon by the President, reloan to Germany during the year of suspension the full amount of Germany's unconditional payments to them as per the Young Plan.

This in effect was the substance of Mr. Mellon's telephone conversation with Mr. Mills at 2:30 Paris time today.

EDGE

[The files of the Department of State do not appear to contain a full record of the final stages of the negotiations which led to the Basis of Agreement with France of July 6, 1931 (text printed on page 162). At a session of the American and French negotiators at the Ministry of the Interior beginning at 3 p. m. Paris time, July 6, the French negotiators were given the text of the final American note. (See part II of telegram No. 335, July 5, 10 p. m., to the Ambassador in France, page 150). Later in the afternoon of July 6 a draft text of the Basis of Agreement

[41] Telegram in two sections.
[42] See French note of June 24, p. 62.

was drawn up by the French Council of Ministers. This text, submitted by the French negotiators to Mr. Mellon and Mr. Edge at about 8:30 p. m., is identical with the agreement as finally adopted, except that a phrase in paragraph (*b*) of the draft agreement reads "in accordance with the acknowledged rights of the creditor states," instead of the final form "in accordance with the needs of the Bank for International Settlements." (The text of this draft agreement is in the Department files under 462.00R296/4291.) An official French communiqué issued on July 6 by M. Laval, President of the Council of Ministers of France, states: "Mr. Mellon and Mr. Edge transmitted by telephone to President Hoover the proposed text of the basis of agreement. At the resumption of the meeting at 10 p. m. the American negotiators gave the adherence of their Government. They announced that President Hoover had declared that the accord concluded today meets the American proposal in its spirit and that it remains, naturally, subject to the approval of the other interested parties, on whose behalf the President cannot speak." The Basis of Agreement was initialed at 11:30 p. m. Paris time (462.00R296/4293).]

462.00R296/4524

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

No. 1634 PARIS, July 7, 1931.
[Received July 15.]

SIR: With reference to my telegram No. 415 of July 6th,[43] I have the honor to enclose one of the two texts of the basis of agreement arrived at between the French and American negotiators on July 6th and initialed by, on the part of the United States: Andrew W. Mellon, Secretary of the Treasury of the United States, and Walter E. Edge, Ambassador of the United States to France, and on the part of France: Pierre Laval, President of the Council and Minister of the Interior; Aristide Briand, Minister for Foreign Affairs; Pierre Etienne Flandin, Minister of Finance; François Piétri, Minister of Budget and André François-Poncet, Undersecretary for the Presidency of the Council and National Economy.

The other initialed copy of the French text has been retained by the French Minister for Foreign Affairs.

I am likewise enclosing the text of the official English translation which has been furnished to the Ministry for Foreign Affairs.

Respectfully yours, WALTER E. EDGE

[43] Not printed.

[Enclosure—Translation]

BASIS OF AGREEMENT

PARIS, July 6, 1931.

After exchange of views, the French Government states that it is in agreement with the United States on the essential principle of President Hoover's proposal and on the following propositions which may be expressed thus:

1. The payment of intergovernmental debts is postponed from July 1, 1931, to June 30, 1932.
2. However, the Reich will pay the amount of the unconditional annuity. The French Government agrees insofar as it is concerned, that the payments thus made by the Reich shall be placed by the Bank for International Settlements in guaranteed bonds of the German railroads.
3. All suspended payments shall be subject to interest in accordance with the conditions suggested by the American Government, payable in 10 annual instalments beginning with July 1, 1933.
4. The same conditions shall apply to the bonds to be issued by the German railroads.

On the three points which it is recognized do not directly concern the American Government, the French Government makes the following observations:

(*a*) A common action by the principal Central Banks acting through the medium of the Bank for International Settlements shall be organized to assist the countries of Europe which would be particularly affected by the postponement of the payment as proposed.
(*b*) A preliminary understanding should take place between France and the Bank for International Settlements in order that France shall not supply the guarantee fund provided for in the Young Plan in the event of a moratorium except by monthly payments in accordance with the needs of the Bank for International Settlements after the actual transfer of payments by Germany.
(*c*) The question of deliveries in kind and the various modifications which will become necessary as a result of the application of the American proposal and the present agreement, shall be studied by a committee of experts named by the interested Powers which shall reconcile the material necessities with the spirit of President Hoover's proposal.

France reserves the right to request of the German Government indispensable assurances concerning the utilization for exclusively economic purposes of the sums freed to the Reich budget.

A[NDREW] W. M[ELLON]
W[ALTER] E. E[DGE]

P[IERRE] L[AVAL]
A[RISTIDE] B[RIAND]
P[IERRE] E[TIENNE] F[LANDIN]
F[RANÇOIS] P[IÉTRI]
A[NDRÉ] F[RANÇOIS]-P[ONCET]

Statement by President Hoover[44]

I am glad to announce that the American proposal for one year's postponement of all intergovernmental debts and reparations has now been accepted in principle by all of the important creditor governments. The terms of acceptance by the French Government are, of course, subject to the approval of the other interested powers, for whom the American Government naturally can not speak. Without going into technical terms, while certain payments are made by Germany for reparations account, the substance of the President's proposal is retained, as the sums so paid are immediately reloaned to Germany.

The technical difficulties arising from many complicated international agreements, which involve the aggregate payment between governments of over $800,000,000 per annum, are now in the course of solution by the good-will and earnest cooperation of governmental leaders everywhere.

The American part of the plan is, of course, subject to the approval by Congress, but I have received the individual assurances of support from a very large majority of the Members of both Senate and House, irrespective of political affiliations.

The acceptance of this proposal has meant sacrifices by the American people and by the former Allied Governments, who are with all others suffering from world-wide depression and deficits in governmental budgets. The economic load most seriously oppressing the peoples of Germany and central Europe will be immensely lightened.

While the plan is particularly aimed to economic relief, yet economic relief means the swinging of men's minds from fear to confidence, the swinging of nations from the apprehension of disorder and governmental collapse to hope and confidence of the future. It means tangible aid to unemployment and agriculture.

The almost unanimous support in the United States is again profound evidence of the sincere humanity of the American people. And in this year, devoted to economic upbuilding, the world has need of solemn thought on the causes which have contributed to the depression. I need not repeat that one of these causes is the burdens imposed and the fears aroused by competitive armament. Contemplation of the past few weeks should bring a realization that we must find relief from these fundamental burdens which to-day amount to several times the amount of intergovernmental debts.

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[44] Issued by the White House as a press release, July 6, 1931; reprinted from Department of State, *Press Releases*, July 11, 1931, p. 42.

580766—46——18

462.00R296/4380 : Telegram

President von Hindenburg to President Hoover

[Translation]

BERLIN, July 7, 1931.

Since the Paris negotiations have now arrived at a conclusion and the one-year moratorium proposed by you has begun, I desire to express the thanks of the German people to you and to the American people. My most sincere wish is that owing to your initiative the whole world may be led into a new era of peaceful and confident cooperation.

VON HINDENBURG

462.00R296/4380 : Telegram

President Hoover to President von Hindenburg

WASHINGTON, July 9, 1931.

I have received with great appreciation your communication of July 7. It is my sincere hope and expectation that this proposal which has been presented to and accepted by the nations of the world will revive confidence and promote prosperity among all peoples.

HERBERT HOOVER

III. The London Conference of Experts, July 17–August 11, 1931

462.00R296/4345a : Telegram

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

[Paraphrase]

WASHINGTON, July 8, 1931—1 p. m.

43. The Committee of Experts which is called for under our accord with France [45] will probably meet on July 16. We hope that the meeting will take place in London. It is the President's sincere wish that you represent the American Government. You will recognize that your position must be essentially that of an observer, owing to the fact that the majority of the questions to be discussed will deal with the application of the Hague Agreements [46] and the Dawes [*Young*] Plan,[47] to which we are not signatory. However, the President feels that it is

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[45] *Ante*, p. 162.

[46] Great Britain, Cmd. 3484, Miscellaneous No. 4 (1930) : *Agreements Concluded at the Hague Conference, January 1930.*

[47] See Great Britain, Cmd. 3343 (1929) : *Report of the Committee of Experts on Reparations.*

vital to have someone there who knows about the negotiations up to this point [48] and who will make sure that the decisions that are reached are clearly within the spirit of the original American proposal.[49] Livesey [50] will be sent by the first boat to assist you. I think you have already seen all the telegrams exchanged with Paris, and Livesey will bring with him all the necessary documents, figures, etc. It is most probable that the British will try to persuade the French to extend the period for the repayment of the suspended annuities. We should welcome this rather than otherwise. However, in view of our agreement with France, this is a discussion in which obviously we can take no part. From time to time we shall give you our ideas on particular questions and you should feel free to consult the Department.

Since I wrote the above I have learned that you may not be able to take on this job because of your health. If you cannot do it we shall understand, but I sincerely hope that you will be able to. Please telegraph your decision urgently.[51]

CASTLE

462.00R296/4697

The French Ambassador (Claudel) to the Acting Secretary of State

[Translation]

WASHINGTON, July 9, 1931.

MR. UNDER SECRETARY: By instructions of my Government, I have the honor to bring to the knowledge of the Department of State the following information on the exchange of views which have just taken place at Paris between His Britannic Majesty's Government and that of the French Republic on the subject of the approaching meeting at London of a committee of experts and a conference of the Powers interested in carrying out President Hoover's proposal.

The dates proposed by the British Government were, respectively, Monday, July 13, for the committee of experts, and Monday, July 20, for the conference.

In reply to the proposals in question, my Government, in the evening of July 7, advised Lord William Tyrrell [52] that it was prepared, in principle, to accept the English suggestion in the thought that it was essentially a question of adapting the Hoover proposal to the Young Plan, but that it considered that the dates indicated

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[48] See pp. 42 ff.

[49] For text of President Hoover's proposal, see telegram No. 262, June 20, 8 p. m., to the Ambassador in France, p. 33.

[50] Frederick Livesey, Assistant Economic Adviser, Department of State.

[51] Mr. Gibson telegraphed his reply accepting the assignment on July 9 (462.00R-296/4346).

[52] British Ambassador in France.

were too near in view of the contemplated exchange of visits between the German and French Ministers, and too close together as the *pourparlers* between experts would probably require more than a week.

It was added, that because of the French national holiday of the 14th of July, it would be desirable to set Friday the 17th of July for the meeting of the experts. As to the possible conference of the Ministers, the development of the work of the committee of experts would permit of determining whether such a conference should be called and for what date.[53]

Furthermore, before giving its definitive assent, the French Government desired to know what countries were expected to participate and what would be the precise program of the conference. In its opinion, the committee of experts should be composed only of English, Belgian, French, Italian, Japanese, German, and, if possible, American representatives. This committee should appoint two sub-committees, one of which would have to settle the questions interesting the creditor Powers only, and the other, the questions concerning those Powers as well as Germany.

In reply to the suggestions mentioned above, the British Government stated, on July 8:

1. That it consented to the postponement to the 17th of the meeting of experts, provided that the French Government consented to notify the Bank for International Settlements that provisionally, and pending the outcome of the conference, no payment would be required from the German Government on July 15th;
2. That it consented to the postponement of the conference of Ministers to a date which would be set later;
3. That it accepted the participation in the conference of French, English, Belgian, Italian, Japanese, German, and, if possible, American delegates;
4. That the purpose of the conference should be to institute the measures necessary for carrying out the Hoover proposal and to recommend the adoption thereof;
5. That it accepted the French suggestion that the committee of experts should appoint two sub-committees in accordance with the formula suggested by the French Government.

The British Government proposed, in closing, to issue immediately the invitations for the conference of experts.

In reply to the British communication, Mr. Briand informed Lord William Tyrrell, on the same day, that the French Government agreed with the British Government on the points enumerated above. Never-

[53] For correspondence concerning the Conference of Ministers, held in London July 20–23, see pp. 263–264, 298–313, and 317–321.

theless, as regards point No. 1, the Minister of Foreign Affairs of the Republic feels impelled to point out that the mechanism contemplated in the Franco-American agreement of July 6 for the unconditional annuity should also become effective on July 15. The French Government, therefore, proposes to inform the Bank for International Settlements that the Reich will not have to pay the conditional annuity on July 15 and that the unconditional annuity is to be placed at the disposal of the Reichsbank immediately. The latter is to give a provisional receipt which will subsequently be exchanged for the bonds contemplated in the Franco-American agreement as soon as the details of such bonds shall have been settled. The French Government does not think that this procedure can arouse objections on the part of Great Britain. Moreover, the procedure appears to be in conformity with the suggestion which was made on July [*June*] 26th to the Financial Attaché at this Embassy by the Under Secretary of the Treasury.

Mr. Briand indicated to Lord William Tyrrell, however, that the notification which the French Government proposes to give to the Bank for International Settlements and, consequently, the suspension of the payments of July 15, remained subject to a previous decision of the Bank agreeing without reserve to the French request relative to the guarantee fund referred to in Article 4, paragraph B of the Franco-American agreement.

The Minister for Foreign Affairs of the Republic indicated in closing that, subject to the reservations mentioned above, the French Government agreed with the British Government with respect to the meeting of the experts on July 17th under the conditions contemplated.

Please accept [etc.] CLAUDEL

462.00R296/4404

The British Ambassador (Lindsay) to the Acting Secretary of State

No. 235 WASHINGTON, 10 July, 1931.

SIR: I have the honour under instructions from His Majesty's Principal Secretary of State for Foreign Affairs to inform you that His Majesty's Government are desirous of holding a meeting of financial experts at the Treasury, London, Friday July 17th at eleven a. m. to consider and recommend measures necessary to give effect to Mr. Hoover's proposal for a one year's suspension of inter-governmental payments.

I am instructed to invite the United States Government to be represented at this meeting.

I have [etc.] R. C. LINDSAY

462.00R296/4404

The Acting Secretary of State to the British Ambassador (Lindsay)

WASHINGTON, July 16, 1931.

EXCELLENCY: In replying to your communication of July 10, 1931, concerning the meeting in London on July 17 of financial experts, I have to inform you that Mr. Hugh Gibson, American Ambassador at Brussels, Belgium, will be the representative of this Government at the meeting in question. His function, in view of the character of the discussions which will take place, will be largely that of an observer.

Accept [etc.] W. R. CASTLE, JR.

462.00R296/4568: Telegram

The Chargé in Great Britain (Atherton) to the Acting Secretary of State

LONDON, July 17, 1931—4 p. m.
[Received July 17—11:20 a. m.]

240. Following from Gibson: Committee of experts held formal meeting this morning at 11 o'clock at Treasury. Leith-Ross, Treasury representative accepted chairmanship. A subcommittee is to meet this afternoon to prepare a statement as to the character of various arrangements for deliveries in kind. Livesey will attend. It was agreed that other Governments receiving deliveries in kind will be invited to submit their views to the subcommittee.

No further meeting of full committee until after the Ministers have met on Monday.

ATHERTON

462.00R296/4698: Telegram

The Chargé in Great Britain (Atherton) to the Acting Secretary of State

[Paraphrase]

LONDON, July 24, 1931—10 a. m.
[Received July 24—6 a. m.]

264. From Gibson. After the end of the Conference of Ministers yesterday, the Committee of Experts resumed its meetings.

As can best be seen now several days will be taken up in collating the basic facts. General Dawes will be back in London by the time that work is completed. Technical experts who rely upon their Ambassadors for political guidance are representing the other Governments. As soon as General Dawes is settled here it seems to me that

the normal course would be to have Livesey depend upon him for guidance and to have me return to Brussels. Of course I would not leave before the General could take over conveniently.

Secretary Stimson, with whom I have discussed the foregoing, authorizes me to state that he concurs. Gibson.

ATHERTON

462.00R296/4698 : Telegram

The Acting Secretary of State to the Chargé in Great Britain (Atherton)

[Paraphrase]

WASHINGTON, July 24, 1931—3 p. m.

236. For Gibson. Reference is made to your telegram No. 264 of July 24, 10 a.m. We understand your point of view and agree with your plan. However, since all information and material relating to some of the matters which will be dealt with by the Committee of Experts have been concentrated in your hands, the Near Eastern debt settlement, for example, and since General Dawes probably will not have followed these angles of the question nearly as closely, you will naturally want to delay your departure until he feels certain about all the important matters that will come before the Committee.

I do not want to make this message final until I can talk with the President on Monday. He has gone away for the week-end and it was his idea that you go to London. However, I am certain that he will agree.

CASTLE

462.00R296/4714 : Telegram

The Chargé in Great Britain (Atherton) to the Acting Secretary of State

[Paraphrase]

LONDON, July 25, 1931—11 a. m.
[Received July 25—9 : 19 a. m.]

268. From Gibson. In two long meetings of the Committee of Experts the British representative, Leith-Ross, with support from the Italians, pressed firmly for the most rigorous execution of President Hoover's proposal by excluding any payment by Germany or any discrimination between different classes of claims or between the various creditor powers. The Italians and the British, after examining the Franco-American Agreement, specifically reserved the right to return to the plan of postponing for 1 year all the payments due

during the moratorium year and of postponing in similar fashion all subsequent payments. The obligations and the rights of the various powers would be resumed without modification at the end of the year of postponement.

In a detailed examination it was stated that the word "guaranteed" in paragraph 2 of the Franco-American Agreement meant that the railway bonds should be guaranteed by the German Government. As for paragraphs 3 and 4 it was provisionally agreed that no interest should be charged or paid on the postponed payments until July 1, 1933, and that the interest rate in all cases should be 3%. This conclusion will be referred to the various Governments represented at the Conference and is subject to possible reconsideration in connection with the position of the smaller Powers. This constitutes an amendment of the Franco-American Agreement. The rate of 3% is taken as an approximation of the average charge on the American debt, which is the lowest in the Franco-American Agreement.

After a long discussion of deliveries in kind at the afternoon session, in which the British and Italians tried to obtain a complete suspension of contracts, the question was referred to a committee of technicians which may include members of countries not represented in the Committee of Experts.

It was agreed that the representatives of the minor countries should be invited to be available in London early next week to discuss their positions with the Committee or with the subcommittee which may be appointed later. Gibson.

ATHERTON

462.00R296/4716 : Telegram

The Acting Secretary of State to the Chargé in Great Britain (Atherton)

[Paraphrase]

WASHINGTON, July 27, 1931—6 p. m.

240. For Gibson. Reference is made to your telegrams of July 25, 1931, Nos. 267,[54] 268, and 269.[54] In the light of the interpretation which the Department has placed on the contents of these telegrams, three principal points have been dealt with in the discussions up to the present: (1) The length of time for the repayment of the deferred annuities upon reparations and debts; (2) the extent of the priority of the postponed payments as compared to future normal payments; and (3) the rate of interest which will apply.

[54] Not printed.

With respect to these three points the Department wishes to comment as follows, leaving to your judgment the method and the time of introduction of these observations into the discussions:

With regard to (1), although we would not oppose any scheme whereby the original simple plan of postponement and resumption was adopted, as long as it were adopted by all Governments, and although we can accept any plan which might lead to that result, this kind of agreement seems very unlikely to be realized because of the position of the French Government; and it should be understood in this connection by the British that we cannot inaugurate any new steps on this point ourselves. Moreover, an arrangement whereby different methods of repayment were allowed the different debtors of this Government could not be accepted by us. You should make it plain to the British Government, however, that the American Government would be pleased to agree to any arrangement extending the time of repayment so long as this arrangement was agreeable to all of the interested nations.

With regard to (2), the question of the priority of the deferred payments as compared to future normal payments, this should be settled between the Governments receiving reparation payments and the Government of Germany. Whatever agreement might be arrived at would in all probability be acceptable to us. The American Government does not wish to be involved in the solution of this matter.

The third point, that of changing the formula previously used into a uniform rate of 3 percent, would arouse considerable Congressional opposition. While I do not wish to attempt a prophecy, in my opinion the formula used would be financially as advantageous as the rate of 3 percent to our debtors.

It is desired by the Department that its policy shall permit of as great a flexibility as possible while adhering to the spirit of the Hoover proposal. The Department trusts, therefore, that these statements of what it cannot do will not be considered a fixity of mind but rather a fixity of principle.

CASTLE

462.00R296/4734 : Telegram

The Chargé in Great Britain (Atherton) to the Acting Secretary of State

[Paraphrase]

LONDON, July 27, 1931—8 p. m.
[Received July 27—4: 53 p. m.]

270. From Gibson. I was asked this afternoon to call at the House of Commons to see the Chancellor of the Exchequer. The Chancellor

stated that in his opinion repayment of the suspended annuities over a 10-year period, as provided in the Franco-American Agreement, would prevent the full benefits of the Hoover proposal from accruing to Germany. Furthermore, he had a more direct interest in the results of this method of repayment on the finances of Great Britain. The Chancellor said that he would prefer adopting one of the following methods, which are listed in the order of his preference:

(1) Moving back the clock 1 year without any repayment plan such as that set forth in the Franco-American Agreement.
(2) Providing for repayments over the entire period of the debt services.
(3) In case agreement could not be reached on (1) or (2), spreading repayment over "as long a period as necessary."

My reply to this was to the effect that the American Government had wanted a longer repayment period than that provided for in the Franco-American Agreement, but that in order to get the French to join the scheme we had consented to the 10-year period. Consequently we were not in a position to take the initiative in urging them to agree to a longer time. Acting in accordance with the views expressed in your telegram of July 8, 1 p. m., No. 43, I gave him an opportunity to infer that we would not be displeased at any effort made by the British to extend the period of repayment.

According to the Chancellor, the Japanese and Italians were admittedly in accord with the British viewpoint on this matter. He felt that an early understanding should be reached as the French Government would not consider changing the period, and had informed the British that the 10-year term was being adhered to just as firmly by the Americans. Consequently, the Chancellor would like to have your reactions to the above three means of repayment. Because of the fact that the British thought it was better to avoid open discussions on this subject at the present stage of the proceedings, the French views were given only in private conversations. However, as there may be a general discussion at any time, I would appreciate having your instructions as soon as possible.

I was further informed by the Chancellor that news had reached him this afternoon from the B. I. S. to the effect that notice had been received from the Federal Reserve Board that it would not name a representative on the Committee to inquire into the credit needs of Germany. This was considered very disquieting by the Chancellor, who said he would like to have some direct information on the position taken by the Federal Reserve, which he felt to be of great importance in the light of existing conditions.

ATHERTON

462.00R296/4774 : Telegram

The Ambassador in Great Britain (Dawes) to the Acting Secretary of State

[Paraphrase]

LONDON, July 31, 1931—4 p. m.
[Received July 31—11 a. m.]

283. From Gibson. The Committee of Experts has decided to hold a recess until the 11th of August, leaving the preparation and circulation of texts up to a drafting committee, and allowing time for conversations between the Governments. We hope that a very short plenary session will be sufficient.

Hearings with respect to the problem of Near Eastern reparations will be held by another subcommittee, which will try to have a plan ready for consideration on August 11th at the plenary meeting.

DAWES

462.00R296/4846 : Telegram

The Acting Secretary of State to the Ambassador in Great Britain (Dawes)[55]

WASHINGTON, August 7, 1931—4 p. m.

261. For Ambassador Dawes and Mr. Livesey. We now believe that we have the texts of all documents with the exception of certain minor detail provisions and Appendix 2 to the Report.[56] The Department has no suggestions to make regarding them. It understands that it is not necessary that any American representative sign or approve them. If any Government later consults us we will say that the Protocol is not inconsistent with the President's proposal. You may so state informally.

Wire any important changes of text and the text of Appendix 2 as soon as available.

CASTLE

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[55] This document bears the following notation by the Economic Adviser of the Department of State: "Approved by Acting-Secretary [of the Treasury] Mills, August 7/31. H[ERBERT] F[EIS]."

[56] The report of the Committee of Experts, a protocol concerning Germany, and certain other documents were signed in London, August 11 and 13, 1931. For texts, see Great Britain, Cmd. 3947, Misc. No. 19 (1931): *Report of the International Committee of Experts Respecting Suspension of Certain Inter-Governmental Debts.* The United States is not a signatory to any of these documents.

462.00R296/4925

Press Release Issued by the Department of State

[WASHINGTON,] August 11, 1931.

DEBTS AND REPARATIONS

The committee of experts which has been meeting in London to work out the terms of application as between the European countries of President Hoover's proposal has now completed its work.

Subject to formal ratification by their legislative bodies, the following governments have indicated their willingness to accept the President's proposal: Austria, Belgium, Bulgaria, Czechoslovakia, France, Germany, Hungary, Italy, Japan, Poland, Portugal, Rumania, United Kingdom of Great Britain and Northern Ireland, Canada, Australia, New Zealand, South Africa, India; and also as regards relief debts due the governments of Denmark, Holland, Norway, Sweden, and Switzerland. The position of Greece and Yugoslavia is not yet finally determined and certain difficulties remain to be overcome before the question of their acceptance is settled.

The conclusions of the experts are in two main documents—the first a Report containing the experts' recommendations to the interested governments relating not only to the program of repayments of suspended reparations by Germany but to repayment of other amounts suspended during the Hoover year by other European governments, the second, a Protocol, or formal agreement, relating solely to German reparation payments. The latter has been signed in London today. It is a provisional agreement which will become final upon ratification by the legislative bodies. Its provisions, however, are retroactive so as to make the suspension of payments effective as of July 1, 1931.

The terms of repayment recommended in the Report and embodied in the Protocol are, generally speaking, as follows: All suspended payments become unconditional obligations of the debtor governments to be repaid over a ten-year period beginning July 1, 1933, with interest at three per cent, from July 1, 1933. There are to be ten equal annual installments, each installment to be divided into twelve monthly payments, including principal and interest.

The Protocol covers such matters as the form of the bonds to be delivered to the reparations receiving countries on account of suspended unconditional reparations loaned to the German Railway, and the methods of handling existing contracts for deliveries in kind within the spirit of the President's proposal. These two subjects are covered in the two annexes attached to the Protocol.

The Report of recommendations deals with the terms of repayment of suspended payments on account of interallied war debts due the

principal creditor governments of Europe and contains a series of suggestions for the adjustment of suspended payments on account of relief debts and of various Near Eastern debt questions incidental to the President's proposal.

The recommendations and the Protocol cover questions arising between European governments. There is no occasion, therefore, for the American Government participating in the Report or signing the Protocol. Our Government is gratified at the progress made in giving practical effect to the suspension program suggested by President Hoover on June 20th.

IV. Attitude of Interested Governments Toward the Moratorium Proposal

AUSTRIA

462.00R296/4120

The Austrian Minister (Prochnik) to the Secretary of State

No. 120/R WASHINGTON, June 25, 1931.

EXCELLENCY: Confirming my oral statement made on Monday, June 22nd to the Undersecretary, Mr. Castle,[57] I have the honor to renew to Your Excellency the assurance that the Federal Government of the Republic of Austria is greatly pleased to unconditionally accept the proposal of the President of the United States in regard to debts and reparations.[58]

Accept [etc.] EDGAR PROCHNIK

BELGIUM

462.00R296/4094 : Telegram

The Chargé in Belgium (Mayer) to the Secretary of State

BRUSSELS, June 25, 1931—11 a. m.
[Received June 25—7 : 14 a. m.]

53. Department's 34 [*37?*], June 24, 11 p. m.[59] Does the President's proposal apply to Belgium equally as to France or is Belgium not to be considered as one of the "important creditor countries" who are to postpone debt and reparations receipts for one year.

If the latter is the case suggest I be given immediate authorization so to inform Foreign Office. Urgent reply by telegraph respectfully requested.

MAYER

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[57] Memorandum of conversation not printed.

[58] For text of President Hoover's proposal, see telegram No. 262, June 20, 8 p. m., to the Ambassador in France, p. 33.

[59] Not printed.

462.00R296/4094 : Telegram

The Secretary of State to the Chargé in Belgium (Mayer)

WASHINGTON, June 25, 1931—1 p. m.

38. Your 53, June 25, 11 a. m. Belgium is of course one of the important countries included in the President's proposal. It has been repeatedly and clearly told the Belgian Ambassador that Belgium is one of the important creditor powers and the Ambassador said he would so inform his Government. Belgium stands to lose all of their conditional payments if a moratorium is declared by Germany. She has more to lose in case a debacle occurs in Germany than any other nation.

Please transmit the above information orally to the Minister for Foreign Affairs immediately.

STIMSON

462.00R296/4154 : Telegram

The Chargé in Belgium (Mayer) to the Secretary of State

BRUSSELS, June 26, 1931—3 p. m.
[Received 5 p. m.]

56. Department's 38, June 25, 1 p. m. Instruction complied with. Minister of Foreign Affairs,[60] accompanied by the Secretary General of the Foreign Office, took occasion to refer at some length to Belgium's situation after expressing his country's desire to contribute to the success of the President's proposal.

Monsieur Hymans stated substantially that his Government could not agree to the proposal purely and simply without reservation in view of the following three factors:

1. Belgium's special position, dating from the war, and all its consequences. A moral reason.
2. Public opinion as typified by Monsieur Vandervelde's[61] recent speech in the Chamber of Representatives (see my 54, June 26, 6 p. m. [*June 25, 5 p. m.*]).[62] Public opinion was unanimous with respect to Belgium's special position.
3. The country's difficult financial position.

The Minister for Foreign Affairs concluded by saying that he hoped to find a formula which, while approving the President's proposal in principle, would be able to take those three special factors into consideration. In view of the great importance of the occasion and Belgium's desire to contribute as much as possible to the success

[60] Paul Hymans.
[61] Socialist leader.
[62] Not printed.

of the President's proposal, he hoped that the American Government would realize the necessity for Belgium's taking time to come to a decision.

Not believing that the Department would wish me to enter into any particular discussion or argument with the Minister for Foreign Affairs, I limited myself to some general observations with reference to our own problems with regard to public opinion, which Monsieur Hymans well knew and with respect to which President Hoover was taking such a courageous position. Secondly, the substantial financial loss that we ourselves were willing to incur in the midst of a great economic depression in the United States; and lastly, the promise of the future for Belgium as well as for the rest of the world of the wholehearted success of the President's proposal and ensuing economic rehabilitation of Europe, which greatly outweighed in my opinion any temporary financial loss. I also referred to that important phase of the President's proposal, namely, the supreme desirability of creating a new European atmosphere in which the residue of war psychology could be liquidated to permit a new era in world feeling and development.

[Paraphrase.] No formal meeting on the subject has yet been held by the Cabinet, and a Belgian reply is not likely for a day or two unless action is accelerated. The Belgians are in a difficult position and are undoubtedly delaying to discover the reaction to the French reply.[63] [End paraphrase.]

MAYER

462.00R296/4223

The Belgian Ambassador (May) to the Acting Secretary of State

[Translation]

No. 1816 WASHINGTON, June 30, 1931.

MR. UNDER SECRETARY OF STATE: I have the honor to send Your Excellency herewith the reply made by the King's Government to the proposal of the President of the United States which Mr. Stimson communicated to me orally on the 20th of June, last.

I avail myself [etc.] PAUL MAY

[Enclosure—Translation]

The Belgian Embassy to the Department of State

The Belgian Government has welcomed the proposal of the President of the United States as an act of great significance; it sees in

[63] *Ante*, p. 62.

this act the beginning of a great work of international solidarity tending to a general economic recovery, the mere prospect of which is already giving rise everywhere to a feeling of confidence and hope. Indeed, the grave difficulties of the present moment can be overcome only if the peoples become aware of their common interest, eliminate all causes of anxiety and discord, unite their efforts, permit a broad spirit of cooperation and mutual aid. The Belgian nation sincerely desires the success of the American initiative. It is, however, unanimous in recalling that Belgium retains an imprescriptible right to reparation for the damages which she unjustly suffered. This right has been sanctioned by solemn declarations of the Governments, as well as by agreements concluded between them. It has never been contested, and it caused the extension to Belgium, in the regulation of the reparations and the war debts, of a special treatment which there is no reason to set aside.

Under these conditions, it would obviously not be admissible that the mutual aid projected should impose on Belgium consequences of a particularly onerous character and expose her to grave financial difficulties. Under reservation of these considerations, the Belgian Government adheres very sincerely to the principle of the proposal, in the conviction that the President of the United States will appreciate the necessity of so determining the methods of execution as to reconcile the plan contemplated with the legitimate special situation and rights of Belgium.

462.00R296/4205 : Telegram

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

[Paraphrase]

BRUSSELS, June 30, 1931—noon.
[Received June 30—9 : 35 a. m.]

63. Reference is to my telegram No. 62 of June 29, 8 p. m.[64] In the event that we need Belgian support for further steps, it will be helpful to me, and my hand will be strengthened if the Department can send an acknowledgment of the Belgian reply in the warmest possible terms. The Belgian Cabinet has run some considerable risk in making a favorable reply before the French decision is announced, in spite of French pressure, against the desires of public opinion and the press, and with the realization that they will have a fight to face the moment the text of the reply becomes known. If we can do any-

[64] Not printed.

thing without engaging ourselves as to details to support them in general terms it will have genuine value as moral support.

You can judge the sort of message which will have the desired effect. I would not of course suggest any definite assurances to the Belgians.

GIBSON

462.00R296/4205 : Telegram

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

WASHINGTON, June 30, 1931—4 p. m.

41. Your No. 63, June 30, noon. I have today presented the following letter to the Belgian Ambassador:

"I hasten to acknowledge with deep appreciation your communication of today's date, in which you advise this Government that the Belgian Government has welcomed the President's proposal, and that the Belgian Government, true to the spirit of cooperation which has always existed between the two countries, is ready to go forward with the President in this effort to promote harmony and reestablish confidence, and to forward the return of the world to economic stability.

"The American Government is much gratified to have this evidence of Belgium's acceptance of the President's proposal in the spirit in which it was made."

The above will appear in to-morrow morning's newspapers.

CASTLE

462.00R296/4320

The Belgian Ambassador (May) to the Acting Secretary of State

No. 1819 WASHINGTON, June 30, 1931.

DEAR MR. CASTLE: I hasten to forward the text of the considerations which the Belgian Government instructed me to transmit to you verbally in handing you the official text of its reply to President Hoover's proposition.

Believe me [etc.] PAUL MAY

[Enclosure—Translation]

The Belgian Embassy to the Department of State

The application of President Hoover's proposal would be particularly onerous for Belgium because complete suspension would involve for us, on the one hand, a loss of receipts amounting to a total of 1,000,000,000 francs, including reparations and the agreement relating

to marks [65] and, on the other hand, would relieve us from payments amounting to 400,000,000 francs as a result of the debts to the United States and Great Britain, thus bringing about a net sacrifice of 600,000,000 or a sum per capita greater than the sacrifices which the United States would bear.

The 1930 budget contains a deficit of 1,200,000,000 out of a total of 12,000,000,000 francs, and the estimates for 1931 show an even more considerable deficit. A vote for new taxes amounting to 1,300,000,000 is imminent, the repercussion of which on the national economy will be very noticeable, and the loan of 1,000,000,000 as a result of the occupation of Belgium during the war, the Belgian foreign debt for reconstruction, is almost wholly a commercial debt which does not come under the President's proposal. The Government's situation in the face of the President's proposal is excessively difficult. Opinion regards a rigorous application as inadmissible. Mr. Vandervelde himself declared before the Chamber of Deputies on Wednesday that the various parties are unanimous in insisting on the "sacred rights" to reparations and to a special situation. He recalls the declaration of Brockdorff-Rantzau at Versailles that Germany recognizes the wrong done to Belgium and will make it good.

Important political figures state that Belgium should reject the proposal. None the less, the Government in drafting and delaying its reply, has made a supreme effort to avoid endangering the success of President Hoover's proposal. Out of regard for his personality, we have voluntarily eliminated from the text expressions which are susceptible of producing a harmful effect on American opinion, with the intention of asking you verbally to set forth that acceptance by the Belgian Parliament is impossible unless special arrangements are foreseen for Belgium:

First. It should be stated first that the proposal is obviously not applicable to the 1929 agreement relating to marks; this agreement deals with restitutions for which the State is responsible to the National Bank of Belgium, and which have always been excluded from the peace settlement. The agreement stipulates the continuance of payments in case of a moratorium excepting that Germany may make payments in kind. The annuity amounts to 184,000,000 francs.

Second. The balance of about 400,000,000 francs (600,000,000 minus 184,000,000) should be covered by German payments which might be effected partially through deliveries in kind advantageous to German economy. The diverse symptoms lead us to believe that the German Government would be disposed to negotiate with Belgium if the American Government would inform it that such a solution would be desirable. These negotiations could be confidential in order to avoid similar demands from other countries. Their success would have a

[65] Agreement between Germany and Belgium signed at Brussels, July 13, 1929, League of Nations Treaty Series, vol. CIV, p. 201.

happy effect on the relations of Belgium and Germany. Ask the American Government to make such a *démarche* and to give us their support in the negotiations; insist on the importance of the results as regards acceptance of the Hoover plan by Parliament.

462.00R296/4376

Memorandum by the Chief of the Division of Western European Affairs (Boal) of a Conversation With the Belgian Ambassador (May)

[WASHINGTON,] July 8, 1931.

The Belgian Ambassador called. I gave him the following replies to his confidential memorandum of this morning, which is attached.[66]

1. This Government is willing informally to approach the German Government to suggest the opportuneness of conversations between Germany and Belgium for a discussion on the two subjects mentioned in the Belgian note of June 30th in the spirit of the President's plan. It does not feel that it can add the further words requested by the Belgian Government "take into account the special situation of Belgium", in as much as a number of other countries advance special situations with regard to the debt questions.

2. No answer was asked of us. I explained that a number of these questions might find solution at one or both of the London Conferences,[67] and that it would seem preferable to await the results of those conferences in the hope that some solutions could be found, that in any event, this Government is not prepared to discuss these two questions with Belgium before the London conferences. I told him that this Government did not share his fears with regard to the unfavorable conditions and opposition which his Government anticipated at London.

3. I referred to the reply to (1) to show that we are willing to approach Germany if asked to do so by the Belgian Government. With respect to the mark question, I said that our preliminary examination of this question, indicated that it was truly an inter-governmental debt in the sense of the President's original plan, that it was paid by the German Government to the Belgian Government, and constituted a charge on the German Government's budget. Therefore I do not see how, if we had to interpret his meaning, we could possibly construe the mark claim in any way as excluded from the President's plan. The Belgian Ambassador referred to his other note of June 30th containing the acceptance of the Belgian Govern-

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[66] *Infra.*

[67] For correspondence concerning the London Conference of Experts, held July 17–August 11, see pp. 164 ff.; concerning the Conference of Ministers, held July 20–23, see pp. 263–264, 298–313, and 317–321.

ment conditional upon the preservation of the imprescriptible rights of Belgium, and also referred to our acknowledgment of this note. I told him that nothing was further from the President's mind when he made the original statement, as would be seen by reading the statement, than to suggest that existing agreements should be cancelled. I did not see how the voluntary postponement of a payment by a creditor under a contract could be in any way held to invalidate the contract, and therefore, I did not see how the mark claim would in any way impair the imprescriptible rights of Belgium.

4. In view of the above, we did not wish to make a negative declaration to Germany, and therefore, did not now wish to make any statement on this point.

The Belgian Ambassador asked what we would do if his Government simply refused to take any further steps, stating that the acceptance had not been received under the conditions which were stipulated when it was written, and therefore, it would go no further with the plan. I said I had no idea what we would do, but that it would be unfortunate if anything of this kind were said before the London meetings had had an opportunity to seek some solutions.

In regard to Belgium's special situation, the Belgian Ambassador asked whether I thought that his Government should take this matter up with Germany. I said this was a matter for them to decide. Such action had been suggested first by the Belgian Government. We were willing, if Belgium wished to confer with the German Government on this subject, to assist them to the extent of approaching the German Government informally as in (1).

The Belgian Ambassador expressed his thanks for the courtesy and attention with which the Department had received his representations in this matter.

462.00R296/4376

Memorandum From the Belgian Embassy[68]

[Translation]

The American *démarche* at Berlin regarding negotiations between Belgium and Germany should, by all means, take place at once. We cannot accept the formula of Mr. Castle. As a matter of fact it is not sufficient to say "in the spirit of the Hoover plan". It is indispensable that the American Government add the words "taking into account the special situation in Belgium".

The conference convoked at London cannot give a satisfactory solution. It is certain that we would be likely to find ourselves in an unfavorable situation and to meet opposition to our demands. The

[68] Handed to Mr. Boal by the Belgian Ambassador on July 8, 1931.

Belgian Government must be in a position to satisfy public opinion and parliament, the anxiety of which is growing.

Therefore Belgium could not take part in the proposed conference at London if she were not first definitely informed as to the reception by Germany of our demands. Moreover, only the United States has the authority to declare that the Hoover proposal does not apply to the accord in regard to marks in conformity with the first section of the *note verbale* [69] which accompanied the response under date of June 30 of the Belgian Government.

A declaration to this effect should also be made immediately to Germany.

462.00R296/4367 : Telegram

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

WASHINGTON, July 10, 1931—2 p. m.

46. Your 73, July 9, 11 p. m.[70] The following is a memorandum of conversation between the Belgian Ambassador and Boal, referred to in your telegram, together with the confidential memorandum from the Belgian Ambassador on which replies were based.

[Here follow the texts of the two memoranda of July 8, printed *supra.*]

Mr. de Buisseret [71] was present at this conversation and took down the substance of statements 1, 2, 3 and 4.

With respect to 2, the Belgian Ambassador asked if this matter had been discussed with the President, and Boal said that it had, but that the conversations, of course, were with the Department, and he would not wish any part of them attributed to the President.

The Ambassador said that he quite understood that it was in accordance with practice, adding "On ne découvre pas le roi."

He was not told that this Government had taken any final position on the Belgian question. On the contrary, he was told that it would not wish to be asked to take a final position until after the London Conference.

If any further reference is made to May's conversation with Boal, you should make it clear that, while the Belgian situation has been discussed in a general way with the President, he, of course, keeps an open mind on the matter, prefering that no decision be made here until after the results of the London Conference of Experts are known.

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[69] *Ante*, p. 179.
[70] Not printed.
[71] Count François de Buisseret, Second Secretary of the Belgian Embassy.

[Paraphrase.] It is our opinion that you should do all that you can to facilitate direct conversations between Belgium and Germany. It would certainly make the Belgian position stronger in the London Conference if, as appears from your telegrams, the Germans themselves would be glad to come to some agreement with the Belgians on the mark claims. It is vital that we should not be put in the position of giving approval to the continuation of these German payments to Belgium which fall clearly outside the spirit of President Hoover's proposal. However, if an agreement should be reached between Germany and Belgium and if it were accepted by the other Powers with the understanding that it did not constitute a precedent, I do not think it likely that the American Government would take the position of refusing what all other Powers had accepted. Of course this point refers only to the mark claims question. [End paraphrase.]

CASTLE

462.00R296/4467 : Telegram

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

[Paraphrase]

BRUSSELS, July 14, 1931—11 a. m.
[Received July 14—9:55 a. m.]

81. Reference is made to my telegram No. 80, July 13, 11 p. m.[72] Last night the Belgian Cabinet decided, pending some German initiative toward direct negotiations, to withhold action on proposals for notification of provisional postponement of German payments and Belgian participation in the London Conference.

Throughout this period we have been in close touch with the Belgian authorities and it seems evident that three factors are contributing to this shortsighted decision: (1) strong French pressure to bring the Government back to supporting the French position; (2) a state of misgiving and lack of confidence resulting from the reports of the Belgian Ambassador in Washington (I have been able to counteract this on some individual points, but the minds of the Belgian officials have undoubtedly been prejudiced); and (3) complete confusion of mind as to what is happening in Germany and what the consequences will be for Belgium.

The British Embassy has had no success in its efforts to get a reply to its invitation to the Belgians to attend the London Conference.

GIBSON

[72] Not printed.

462.00R296/4471 : Telegram

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

[Paraphrase]

BRUSSELS, July 14, 1931—6 p. m.
[Received July 14—4:10 p. m.]

82. Reference is made to my telegram No. 81, July 14, 11 a. m. Although I have not received any official notification, I have learned informally that at last this morning the Belgian Cabinet decided to send representatives to the London Conference. The delegation will leave tomorrow. An attempt is being made now to follow up this decision by a notification to the Bank for International Settlements of provisional postponement.

GIBSON

462.00R296/4478 : Telegram

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

[Paraphrase]

BRUSSELS, July 14, 1931—11 p. m.
[Received July 15—5:43 a. m.]

83. Reference is made to my telegram No. 79, July 13, 10 a. m.[73] The Belgian Legation at Berlin has informed the Belgian Government that discussions with regard to Belgian-German questions have been initiated in Berlin by the German Government. These conversations will be continued at London.

GIBSON

462.00R296/4480 : Telegram

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

[Paraphrase]

BRUSSELS, July 14, 1931—midnight.
[Received July 15—5:16 a. m.]

84. Reference is made to my telegram No. 82, July 14, 6 p. m. The Belgian Government is now working out a formula for notification to the B. I. S. of provisional postponement of German payments tomorrow.

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[73] Not printed.

The Belgian Government has formally accepted the British invitation to the London Conference and is sending a delegation tomorrow.

GIBSON

462.00R296/4740 : Telegram

The Acting Secretary of State to the Chargé in Great Britain (Atherton)

[Paraphrase]

WASHINGTON, July 27, 1931—5 p. m.

239. For Gibson:[74] The discussion with the Belgian Government arising out of its efforts to surround its adherence to the Hoover proposal with special conditions and reservations is familiar to you. In the London discussions this subject will be brought up for settlement.

The attitude of the Department in this regard is outlined as follows for your information. That the acceptance by Belgium of the Hoover proposal will create a budget problem is evident; but we do not see any vital reason or conclusive special circumstances establishing a claim on the part of Belgium for a special consideration beyond this. The Department feels, therefore, that the spirit and meaning of the Hoover proposal should be maintained in arriving at a solution of the Belgian problem. On the other hand, the Department realizes that as a result of your early discussions on this subject with the authorities in Belgium and through our instructions to you there has been created a certain presumption that sympathetic consideration will be given the Belgian difficulties. Consequently the Department recognizes that you may have to show a certain flexibility of attitude.

With regard to the conditional payments, there is no justification for special treatment; Germany will have to retain the whole amount. In considering the mark claims settlement, our figures indicate that Belgium would receive 184,000,000 Belgian francs in 1931–32. Of this amount 26,000,000 francs would be paid into the Belgian National Bank; but the balance presumably would be retained by the Government. In addition, it may be necessary to take into account some small amount due from Belgium to Luxemburg. Possibly a solution of the problem could be found through having the Experts Committee decide that the mark payments should be suspended to accord with the Hoover proposal following which the German Government might offer to pay this in spite of the decision of the Committee, thus gaining a little prestige. Should it be possible through the discussions of the Committee to reach an arrangement whereby Germany, with the

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[74] Ambassador Gibson had gone to London as American observer at the Conference of Experts.

agreement of the other nations concerned, should pay part or all of the mark claim due Belgium, the Department would feel inclined to agree. Obviously the danger to be avoided in negotiating a settlement along these lines is that it should become the basis for similar claims for special consideration on the part of the other minor nations. Because such a danger exists the Department feels that the attitude to be taken must be left primarily to your judgment. Should it be possible to avoid this danger, the Department would see no objection to having the mark claim, which is not in the same category as reparations, put in a class of its own and treated as something outside the scope of the Hoover plan.

CASTLE

462.00R296/4744 : Telegram

The Ambassador in Great Britain (Dawes) to the Acting Secretary of State

[Paraphrase]

LONDON, July 28, 1931—9 p. m.
[Received July 28—5:50 p. m.]

273. From Gibson: Reference is made to the Department's telegram of July 27, 5 p. m., No. 239. The discussions which we have carried on with regard to the Belgian difficulties have accorded entirely with the attitude which has been outlined by the Department. For the past 10 days conversations have continued between the Belgians and the Germans, but no prospect is seen so far for an agreement in the near future. Very great concessions are being demanded by the Belgians; and I have reason to know that there is no chance of their obtaining their end. In all likelihood we will not become involved in this problem, since, in my opinion, the Germans will not agree to anything more than an adjustment of the marks claim, while the Committee of Experts would stand unanimously against any such complete concession on all points as the Belgians are asking for. Although in my conversations with the Belgians, I have explained very clearly to them the character of the demands which they have put forward, and have emphasized the fact that they are expected to bear their share of the sacrifices provided for by the Hoover plan, it seems preferable to me that the opposition to these demands should come from other quarters, while our attitude is temporarily reserved until the time seems opportune for speaking out.

As soon as a settlement satisfactory to the British has been reached with respect to the special terms which France is demanding for Yugoslavia within the reparations adjustment scheme, it may be possible to reach a satisfactory solution of the marks claim. It would

seem that the British perceive the fact that Germany is willing to agree to more favorable terms with regard to our Mixed Claims awards as well as to the marks claim than are provided for by the Franco-American Agreement. The British, in consequence, would appear to be tacitly encouraging the holding back of these special cases from the attention of the Committee until the general principles of the application of the Hoover proposal are agreed to and these cases can then be brought up in such a way as to avoid setting precedents which might be cited as reasons for similar special treatment by other Governments.

DAWES

462.00R296/4852 : Telegram

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

[Paraphrase]

BRUSSELS, August 6, 1931—5 p. m.
[Received August 6—3 : 10 p. m.]

98. I am informed by the German Minister that at yesterday's meeting of the German Cabinet it was determined to continue the payments under the Belgian marks agreement. Until the Belgian Cabinet at tomorrow's meeting accepts this as completely satisfactory, this information is confidential. I understand that all the other interested powers have assured the Belgians that there will be no objection to the payments being continued.

The Belgian Government has been assured of receiving a part of the German Railway bonds under the French unconditional annuities. They have also been informed by the British Chancellor of the Exchequer that they will not be expected to pay on their reconstruction and Congo loans during the moratorium year. I have repeated this to Livesey.[75]

GIBSON

462.00R296/4873 : Telegram

The Chargé in Belgium (Mayer) to the Acting Secretary of State

[Paraphrase]

BRUSSELS, August 8, 1931—11 a. m.
[Received August 8—8 : 25 a. m.]

101. Yesterday afternoon a Council of Ministers was held with the King presiding. The question at issue was the adherence of Belgium

[75] Frederick Livesey, American technical expert at the London Conference of Experts.

to the final protocol drawn up in London by the Committee of Experts.[76] The Belgian Foreign Office informs me today in strictest confidence that the outcome of the meeting was completely satisfactory. The Foreign Office wants no publicity on the German attitude at London before the official statement which will be made after the final meeting there. This telegram has been repeated to Livesey.

MAYER

462.00R296/4905 : Telegram

The Chargé in Great Britain (Atherton) to the Acting Secretary of State

[Extract]

LONDON, August 10, 1931—10 p. m.
[Received August 10—7:55 p. m.]

330. From Livesey. Belgium has annexed its German Mark Agreement to the committee report by the following footnote to paragraph 2:

"The Belgian Government while willingly agreeing to President Hoover's proposal was obliged to reserve the question of the payments to be made by Germany in fulfillment of the Marks Agreement dated July 13, 1929. An agreement has been arrived at on this point between the two Governments which has been embodied in an exchange of letters herewith annexed." [77]

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ATHERTON

BULGARIA

462.00R296/4384

Memorandum by Mr. Paul Alling, of the Division of Near Eastern Affairs, of a Conversation With the Bulgarian Minister (Radeff)

[WASHINGTON,] July 1, 1931.

While calling yesterday on another matter the Bulgarian Minister stated that two or three days ago he had received instructions from his Government to bring to the attention of the Department the Bulgarian viewpoint with respect to the President's proposal for a postponement of inter-governmental debts. He went on to say that he realized that the present was not an auspicious time for him formally to bring the Bulgarian viewpoint to the attention of this Government but that

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[76] Great Britain, Cmd. 3947, Misc. No. 19 (1931): *Report of the International Committee of Experts Respecting Suspension of Certain Inter-Governmental Debts*, p. 9.

[77] See paragraph No. 9 of the final report of the International Committee of Experts, Great Britain, Cmd. 3947, Misc. No. 19 (1931), p. 5.

he would like to mention informally one point which he considered the most important factor in the Bulgarian thesis. He said that we undoubtedly knew of an agreement known as the Molloff-Caphandaris convention, relating to the compensation to be made to Greek and Bulgarian refugees, which had been signed on December 9, 1927.[79] Under the terms of this Convention each government was to issue to its new citizens arriving from the territory of the other special bonds covering the amount of compensation in each individual case and bearing interest at the rate of 6 per cent per annum. After the completion of the bond issues in the two countries a mixed claims commission set up for that purpose was to draw up an account as between the two governments in order to determine which of them was the net debtor or the net creditor. As a result of this accounting it appears that Greece owes to Bulgaria a substantial sum. The Bulgarian Government is of the opinion that this is not an inter-governmental debt within the meaning of the President's proposal and that consequently there should be no postponement in its payment by Greece. The Bulgarian Government holds to this point of view chiefly because the sums which it receives from Greece are turned over immediately to Bulgarian refugees. The Bulgarian Government therefore simply acts as an intermediary in the transaction and the sums received are not susceptible of use by the Government itself. Under these circumstances it was felt that there was no good reason for Greece to postpone payment. I asked Mr. Radeff whether he had any objection if I mentioned the Bulgarian viewpoint informally to the appropriate officers of the Department and he replied there was no objection on his part; in fact he said he felt it would be desirable for the officer handling the question to have advance notice of the Bulgarian position in order that it might be possible for him better to comprehend the Minister's representations when he came down to make them formally.

NOTE: In connection with the above statement of the Bulgarian position, attention is called to Mr. Skinner's telegram No. 25 of July 1, 1 a. m.[80] in which he states that Mr. Venizelos [81] has informed him that he (Venizelos) must have assurances from Bulgaria that since Bulgaria is to profit by postponement of payment amounting to ten million marks, Greece shall be relieved of payments under Caphandaris-Molloff agreement amounting to 3,794,000 marks.

PAUL ALLING

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[79] League of Nations Treaty Series, vol. LXXXVII, p. 199.
[80] *Post*, p. 209.
[81] E. K. Venizelos, Prime Minister of Greece.

462.00R296/4386

The Bulgarian Legation to the Department of State

WASHINGTON, [July 8?, 1931.]

PRO MEMORIA

Bulgaria is one of the agricultural countries which has suffered most from the economic depression. The situation of the treasury is exceedingly serious. The country has no more resources to meet its difficulties. It has gone to the extreme limits of taxation. It is therefore with a deep feeling of gratitude that Bulgaria has learned of the generous proposal of the President of the United States. The postponement of one year for all payments on reparations and intergovernmental debts will bring to Bulgaria long waited for relief.

It is the understanding of the Bulgarian Government that the payments that Greece has to make on account of the Convention Molloff-Caphandaris are not affected by the moratorium, as they do not fall within any of the categories of obligations mentioned in the proposal of the President of the United States. The payments to be made by Greece on account of the aforesaid convention go to the Bulgarian refugees who have left properties in Greece. The Bulgarian Government is acting in this case as an intermediary. They have to receive from Greece the money and transmit it to the refugees according to the provisions of the Convention. Consequently the payments of Greece to Bulgaria are payments to private individuals. Their postponement would be in the opinion of the Bulgarian Government contrary to the letter and the spirit of the proposal of the President of the United States.

462.00R296/4628 : Telegram

The Chargé in Bulgaria (Barnes) to the Acting Secretary of State

[Paraphrase]

SOFIA, July 20, 1931—5 p. m.
[Received July 21—1:43 a. m.]

14. The first paragraph of this telegram summarizes in brief form the memorandum from the Bulgarian Foreign Office [82] which was given to me today personally and on a confidential basis by the Secretary General of the Ministry of Foreign Affairs. This memorandum sets forth the position of the Bulgarian Government on the debt postponement proposal made by President Hoover. The docu-

[82] Not printed. This memorandum, of July 12, and a supplemental memorandum of July 18, were forwarded to the Department by the Chargé as enclosures to his despatch No. 266, of July 25, 1931; received August 13.

ment is to be used as a basis for representations at the London Conference. Late last week it was sent as an air mail instruction to Bulgarian Ministers in Rome, London, Paris, and Washington.

1. The President's proposal is accepted with gratitude since current receipts of the Bulgarian treasury do not balance expenditures. The proposal is held to cover the 7,544 pounds sterling and the 186,144 francs payable annually to France through the Bulgarian National Bank for service of the bonds held by France in settlement of the Declosières affair (see my despatch of November 8, 1927, No. 1113).[84] The moratorium is also held to cover the out-payments listed in paragraph 1 of our telegram No. 11 of June 26, 11 a. m.[84] Greek payments to Bulgaria under the Kafandaris-Molloff Agreement are held by Bulgaria to be outside the scope of the Hoover proposal. The reasoning is that the role of both Governments under the Emigration Convention [85] and subsequent related agreements is that of a purchaser of private property and that the commitments therefore are concerned with private rights. As support for this contention the memorandum cites articles 10 and 11 of the Emigration Convention and articles 1 and 16 of the payment plan drawn up by Greece and Bulgaria and accepted on December 8, 1922, by the Mixed Commission.[86] The Kafandaris-Molloff Agreement, which replaced this plan, does not affect the juridical nature of the obligations. It referred only to methods. In 1920 at Paris the Committee of Experts on non-German reparations rejected the Greek contention that the balances due from it were in the nature of war debts.

2. No communication has been received by the Bulgarian Foreign Office from the Greek Government to the effect that Greece will not make the payment which is due now and payable before the end of July. There is no knowledge here that any communication of this nature has been forwarded to the Mixed Commission at Athens.

3. I have been confidentially informed by the Secretary General of the Ministry of Foreign Affairs that the British Government, according to a report of the Bulgarian Minister at London, is friendly to the Bulgarian thesis but holds the opinion that further representations should be made at Washington.

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[84] Not printed.

[85] Convention between Greece and Bulgaria respecting reciprocal emigration, signed at Neuilly-sur-Seine, November 27, 1919, League of Nations Treaty Series, vol. I, p. 67.

[86] The convention signed at Neuilly in 1919 provided for a Mixed Commission to supervise and facilitate emigration. For text of the plan of payment, see Permanent Court of International Justice, Series C, No. 57, p. 18.

This telegram is repeated to London for Ambassador Gibson. We are sending him by air copies of all documents mentioned with the exception of telegram No. 11 of June 26, which we presume he already has.

BARNES

462.00R296/4992b

The Acting Secretary of State to the Minister in Bulgaria (Shoemaker)

WASHINGTON, August 21, 1931.

DEAR MR. SHOEMAKER: You will doubtless have noticed that in indicating its acceptance of the President's proposal of debt postponement the Greek Government appended two reservations,[87] one of which concerns Bulgaria. This reservation stipulates that the payments for the execution of the Caphandaris-Molloff agreement must be included in the suspension of payments.

This Government has from the beginning taken the position that it could not act as arbiter in the various points in dispute between the Balkan countries in connection with their response to the President's proposal. We still do not want to take any active part in deciding the questions created by the Greek reservations, but we are naturally following the situation with interest and I will, therefore, ask you to keep us informed of any developments in this connection.

I do not know, of course, whether the Greek Government has approached the Bulgarian Government in regard to the suspension of the payments for the execution of the Caphandaris-Molloff agreement, or whether it merely intends without further discussion not to make the payments as they fall due. Any information you may receive in this regard will be of interest to us here. If Greece stops payment to Bulgaria, it is likely that Bulgaria will make some form of protest. It is open to her under the Caphandaris-Molloff agreement to carry the dispute to the Council of the League for settlement.

Any opportunity that you may have of recommending to the Bulgarian Government a speedy final settlement of this disputed question, it will be advisable to take, though you must not, of course, reveal in any way the fact that the Department has given you special instructions.

Sincerely yours, W. R. CASTLE, JR.

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[87] See Great Britain, Cmd. 3947, Misc. No. 19 (1931), p. 26.

462.00R296/5084 : Telegram

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

GENEVA, September 8, 1931—3 p. m.
[Received September 8—2 : 10 p. m.]

110. Late yesterday Bulgaria brought a complaint before the Council [88] concerning the non-payment by Greece of sums due under the Molloff-Caphandaris agreement and requested to Council to render a decision in regard to the nature of the debt contracted through the instrument, that is, whether it is a debt due by the Greek Government to private interests or whether it is an intergovernmental debt and thus falling under the Hoover moratorium plan. The Bulgarian and Greek representatives summoned to the Council stated at great length the positions of their respective Governments.

The essence of the Bulgarian arguments was that the debt is a private debt and consequently its payment could not be suspended under the Hoover plan or be in any way influenced by the suspension of Bulgarian reparations to Greece under that plan.

The Greek representative took in substance the position that the Hoover proposal was not a mandate from a higher authority which must be obliged but a proposition which should be rejected or accepted conditionally or unconditionally. Greece had accepted the proposal on the condition that the payments due under the Molloff-Caphandaris agreement be suspended. The nature of this debt therefore was irrelevant and it was not incumbent upon the Council to pronounce thereon.

The discussion cleared up several mutual misunderstandings and at the close of the debate the litigants assumed a more conciliatory attitude. Briand, the *rapporteur*, asked for further time to consider the material offered and expressed the hope that negotiations would be instituted forthwith between the two Governments looking toward a rapid and amicable settlement.

GILBERT

462.00R296/5167

Memorandum by the Economic Adviser (Feis) of a Conversation With the Bulgarian Minister (Radeff)

[WASHINGTON,] September 9, 1931.

The Bulgarian Minister came in yesterday to observe that he read with interest in the press the reports from Paris that we were discussing with interested Governments the continuation during the debt

[88] League of Nations *Official Journal*, 1931, p. 2059.

suspension year of German-American payments on claims account.[89] As we foresaw, the Bulgarian Government sees in the attitude we are taking, and in some of the arguments we are using to justify the continuation of German payments on claims account, a parallel and helpful argument for the continuation by Greece of payments under the Molloff-Caphandaris Agreement.

While remaining as non-committal as possible, I gave him an outline of the situation and he asked for copies of the laws and agreements making up the situation. I gave him the names of these and said that if he requested them, I have no doubt that the Department would furnish them.

The Molloff-Caphandaris matter was the subject of a very long debate in the Council of the League yesterday between Venizelos and the Bulgarian representative Malinoff. According to the press, the debate began in great anger but a certain degree of conciliatory attitude was shown before the end.

In reply to my question as to whether he believes the Council likely to refer to the World Court, the Bulgarian Minister indicated that it was likely.

It has been apparent from this and previous conversation that the Bulgarian Government fears that the members of the World Court will be unconsciously influenced in their judgment by environmental or political considerations. As indication of this tendency, the Bulgarian Minister cited the decision just rendered as regards the Austro-German Customs Union;[90] he believed that the judges siding against the Union were in the main those who were in the orbit of French influence.

HERBERT FEIS

462.00R296/5122 : Telegram

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

GENEVA, September 22, 1931—9 a. m.
[Received 12:20 p. m.]

119. Consulate's telegram 110, September 8, 3 p. m. Saturday afternoon[90a] the *rapporteur* having announced that although some slight progress had been made toward a settlement the parties had not yet come to a definite agreement, the Council adopted the following resolution:

"Having noted the points of view stated by the representatives of Bulgaria and Greece;

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[89] See vol. II, pp. 280 ff.
[90] See pp. 565 ff.
[90a] September 19.

Considering that the Bulgarian Government has raised the question whether the Greek Government was entitled to establish a connection between, and set off one against the other, its debt to the Bulgarian refugees under the Caphandaris-Molloff agreement and the Bulgarian Government's reparation debt;

Considering that the Bulgarian Government maintain that these two debts are totally different in nature;

Considering that in the Greek Government's opinion no dispute as to the interpretation of the Caphandaris-Molloff Agreement is involved;

Noting that the respective financial obligations of the two Governments, in regard to which the difficulties thus submitted to the Council have arisen, were incurred in virtue of international instruments which are equally binding on both Governments and the execution of which can in no case be suspended except by agreement between all the signatory parties;

Being convinced that such an agreement must be sought with extreme urgency on a practical basis in respect of the payments of the current year, all questions of law being reserved,

Invites the two Governments to confer together in order to attain this result as soon as possible, the service of their reciprocal debts being carried on in the interval;

Subject to the foregoing, deciding to request the Permanent Court of International Justice to consider from the legal point of view whether there is in fact a dispute between Greece and Bulgaria under article 8 of the Caphandaris-Molloff agreement, and if so, to give an advisory opinion on the nature of the obligations arising out of the said agreement;

Notes with great satisfaction the declarations of the two Governments with regard to their mutual desire to effect a general settlement of the other difficulties subsisting between them;

Makes an urgent appeal to their spirit of conciliation and invites them to open negotiations as soon as possible with a view to achieving this result."

The Council then passed a second resolution requesting the Permanent Court for an advisory opinion on the points mentioned above in that connection.

GILBERT

462.00R296/5208

The Minister in Bulgaria (Shoemaker) to the Secretary of State

No. 299 SOFIA, October 3, 1931.
[Received October 21.]

SIR: I have the honor to inform the Department that the Bulgarian Government, within several days after the return of Mr. Malinoff from Geneva on the evening of September 23, decided to act upon the League of Nations' recommendation contained in the Council's resolu-

tion of September 19 [91] to the effect that Greece and Bulgaria lose no time in seeking an agreement, upon a practical basis, for the application of the Kafandaris-Molloff agreement in conjunction with President Hoover's debt moratorium in so far as payments for the current year are concerned. At the same time the Bulgarian Government decided to take the initiative in seeking to reach a settlement with reference to all questions outstanding between the two states.

On September 28 Mr. Neicoff, the newly arrived Minister of Bulgaria at Athens, accompanied by Mr. Stoyanoff, Director of the Bulgarian Public Debt Administration, called on the Director General of the Greek Ministry for Foreign Affairs and informed the latter of his Government's decision. Mr. Stoyanoff stated that he had been especially charged with the mission of reaching a settlement on the application of the debt moratorium in conjunction with the Kafandaris-Molloff agreement. On the following day Mr. Stoyanoff was received by Mr. Venizelos, who, according to Bulgarian sources, declared his Government ready to make every possible effort to reach an agreement. Mr. Venizelos asked Mr. Stoyanoff to present a memorandum setting forth the Bulgarian proposal with reference to the moratorium. Yesterday Mr. Neicoff was received by the Greek Minister for Foreign Affairs with whom he discussed the subject of a general settlement between the two states.

In the Bulgarian Ministry for Foreign Affairs it is thought that the negotiations for a general settlement will take considerable time but that something definite relative to the moratorium question should develop within the next four or five days. Mr. Stoyanoff, according to the Legation's information, has been authorized to propose a settlement along the lines considered at one time by the Committee of Experts at London, i. e., that Greece continue to pay under the Kafandaris-Molloff agreement and that Bulgaria pay reparations for the benefit of Greece in a like amount. Any settlement reached at this time would of course be without prejudice to the decision to be rendered by the Court of International Justice relative to Article 8 of the Kafandaris-Molloff agreement.[92]

For the Department's convenience there is attached the text in English of the resolution of the Council of the League [93] undertaking to refer the dispute over the Kafandaris-Molloff agreement to the Court. Bulgarian opinion finds the decision embodied in this resolution partially satisfactory, in that it removes the question at issue, that is to say, whether the Greek obligations under the Kafandaris-Molloff

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[91] See *supra*.

[92] For text of the decision, see Permanent Court of International Justice, Series A./B., Fascicule No. 45, March 8, 1932: *Interpretation of the Greco-Bulgarian Agreement of December 9, 1927*.

[93] See telegram No. 119, September 22, 9 a. m., from the Consul at Geneva, p. 195.

agreement are of a private law nature, from the realm of international politics. There is complaint, however, on the score that the League has again resorted to compromise when circumstances warranted a clear cut decision. One local newspaper, goes so far as to say that the League has gone through the hand-washing procedure as did Pilate on a famous occasion.

As the Department knows, the second 1931 reparations payment from Bulgaria fell due under the Hague accord on September 30.[94] On that day the Bulgarian Government informed the Bank of International Settlements that it would not make the full payment pending the conclusion of the negotiations now under way at Athens. Bulgaria, however, did pay the sum of 211,100 gold francs expected from it in connection with the decision of the Committee of Experts at London relative to the Hungarian Optants.

Respectfully yours, HENRY W. SHOEMAKER

462.00R296/5252 : Telegram

The Minister in Bulgaria (Shoemaker) to the Secretary of State

SOFIA, October 31, 1931—noon.
[Received October 31—10:25 a. m.]

28. Department's telegram No. 9, October 30, 1 p. m.[95] Formula calculated to avoid establishing principle of "compensation" but obligating Bulgaria during current moratorium year to continue reparation payments in favor of Greece equal to Kafandaris-Molloff payments by latter presented at Athens by the Bulgarian Government October 24th. Since then Bulgarian Foreign Office has been expecting Greek response daily. As soon as this is received I shall inform the Department of its nature by telegraph.

Official opinion here is that response must be in the affirmative if Greece is acting in good faith as formula fully satisfies demands made by Greece before London Committee of Experts.

SHOEMAKER

462.00R296/5291 : Telegram

The Minister in Bulgaria (Shoemaker) to the Secretary of State

SOFIA, November 6, 1931—5 p. m.
[Received November 6—4:35 p. m.]

29. With reference to my telegram 28, October 31, noon, Prime Minister states that Greek reply, a telegraphic résumé of which was

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[94] See Great Britain, Cmd. 3484, Misc. No. 4 (1930) : *Agreements Concluded at the Hague Conference, January 1930*, p. 150.

[95] Not printed.

received November 4th and full text of which is now at large, raises questions of principle which must be avoided if practical settlement is to be reached. According to the Secretary General of the Foreign Office the formula of October 24th accepted the final proposal of Greece relative to modalities of payment for moratorium year but stipulated that a settlement of a practical nature such as is being sought should not be permitted to affect the rights of the contracting parties as they existed at the time the Council of the League submitted the Kafandaris-Molloff dispute to the Hague Court. The Greek reply refuses this condition and insists that Bulgaria withdraw the dispute from the Court and agree to consider as unalterable its future reparations obligations to Greece as they have been determined under the Hague accord. The Secretary General says that competent Bulgarian authorities see no way of meeting Greek conditions and I anticipate that a message in this sense will be sent to Athens within the next few days.

SHOEMAKER

462.00R296/5307 : Telegram

The Minister in Bulgaria (Shoemaker) to the Secretary of State

SOFIA, November 11, 1931—10 p. m.
[Received November 11—8:36 p. m.]

30. With reference to my telegram 29, November 6, 5 p. m. Bulgarian Minister at Athens has telegraphed that the Greek Government has amended its reply as follows:

1. Withdrawal of K[afandaris]–M[olloff] dispute from the Hague Court no longer insisted upon;
2. Bulgarian reserve to the effect that the proposed agreement shall be without prejudice to rights under K–M convention, to be withdrawn from body of agreement and incorporated in Unilauf [*unilateral?*] declaration;
3. Greece to declare that should Bulgaria cease at any time to pay reparations without the express consent of Greece, the latter will refuse to honor bonds deposited by it under article 5 of K–M convention.

The Secretary General of the Foreign Office believes that amended reply offers possibility of agreement in the event Bulgaria can be certain that Greece will fulfill its obligation to deposit the K–M bonds for the 30-year period on December 15th of this year. Stoyanoff is returning from Athens to supply full particulars to Cabinet.

SHOEMAKER

462.00R296/5393

The Minister in Bulgaria (Shoemaker) to the Secretary of State

No. 334 SOFIA, December 12, 1931.
[Received December 30.]

SIR: I have the honor to inform the Department with reference to the Legation's despatches Nos. 315 and 320, of November 13 and November 18, respectively,[96] that Mr. Stoyanoff, the Director of the Bulgarian Public Debt, has informed a member of my staff that ratification of the financial agreement signed by representatives of Bulgaria and Greece on November 11, in Athens,[97] will not occur until the London Committee of Experts has put into final form a protocol proclaiming the Hoover moratorium in force as regards Bulgaria and Greece; that in fact, it will be this protocol, with the Agreement of November 11 appended thereto, which the Bulgarian Parliament will ratify. Mr. Stoyanoff stated that the Bulgarian Government several days ago agreed, in a telegram sent to its Minister at London, to the text of the protocol, and that the document in its final form should reach Sofia shortly.

Respectfully yours, HENRY W. SHOEMAKER

CZECHOSLOVAKIA

462.00R296/4172 : Telegram

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

PRAGUE, June 27, 1931—noon.
[Received June 27—10:40 a. m.]

25. My telegram No. 23, June 23, 3 p. m.[98] In conversation with Doctor Beneš[99] last night he informed me that Czechoslovakia would send its formal answer to President Hoover's proposal for war debt payments in 3 days. He stated that he considered the proposal a splendid thing which would benefit all countries. Czechoslovakia has a vital interest in the rehabilitation of Europe but particularly of Germany which would have a beneficial reaction here. He has satisfied himself regarding certain details of the proposal by cable from the Czechoslovak Legation in Washington. Czechoslovakia will accept gladly as the relief is essential to her, and as she is not a

[96] Neither printed.
[97] Agreement concerning the application of the Hoover proposal to Bulgarian reparations and the execution of the Caphandaris-Molloff agreement during the Hoover year; text printed in Great Britain, Cmd. 4071, Bulgaria No. 1 (1932): *Protocol Providing for Suspension of Certain Payments due by Bulgaria Under the International Agreement of January 20, 1930*, p. 14.
[98] Not printed.
[99] Eduard Beneš, Czechoslovak Minister for Foreign Affairs.

creditor nation there will be no adverse effect on her budget. He stated that it was his opinion that a postponement of 1 year's payments would necessarily involve a further extension but that the present was not the time to discuss that point. He added that his delay in sending a formal answer was due to the complicated European political situation as Czechoslovakia did not wish to appear hasty in a matter which affected her allies in a different way. I gathered that he did not wish to take action until France had made her position clear and until the members of the Little Entente receiving reparations have made a statement. He assured me however that Czechoslovakia would accept.

RATSHESKY

462.00R296/4582

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

No. 411 PRAGUE, July 3, 1931.
[Received July 17.]

SIR: I have the honor to refer to my telegram No. 25 of June 27, 12 noon regarding the attitude of the Czechoslovak Government to President Hoover's proposal for a postponement of payments for one year on inter-governmental war debts and reparations and to report that the Government has not yet made any official statement in regard to the matter. In my conversation with Dr. Beneš he made it clear that he did not wish to take any precipitate action which might embarrass the allies of Czechoslovakia though he, and it is presumed the Government, heartily approves of the plan. At that time it was evident that he expected the negotiations between France and the United States[1] to be terminated very quickly. Now that there has been delay and an apparent inability to reach an immediate agreement as to the method of the execution of the proposal I believe that he will withhold his formal acceptance until France has signified her acceptance. As this country has everything to gain and nothing to lose by the postponement it is obvious that it will accept but it is also evident that the proposal will be accepted on the terms agreeable to Czechoslovakia's most important ally, France. This attitude is entirely comprehensible as France must bear the largest burden of the postponement and she can at least expect her allies who are not affected to accept on her terms. I do not believe that the French Government has requested Czechoslovakia to withhold her answer but that this policy arises out of Dr. Beneš' conception of obligations to a friendly country.

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[1] See pp. 42 ff.

President Hoover's proposal caused great surprise here by its unexpectedness although there had been much speculation in the press ever since the visit of the German ministers to England as to what attitude the United States would take towards the pressing problem of debt payments. It was generally considered that no change would be made in our policy previously announced. The proposal was greeted with general approval particularly in financial circles, though it was stated at once that France and Belgium would probably object. There also seemed some doubt as to how the proposal would affect Czechoslovakia and consequently the Government's attitude was reserved pending developments. Since that time the French viewpoint has been reflected in the press with sympathetic consideration. I have not pressed the matter and what Dr. Beneš told me was entirely voluntary. I am certain, however, that no official statement can be expected until there is complete agreement between France and the United States.

Respectfully yours, A. C. RATSHESKY

462.00R296/4607

The Czechoslovak Minister (Veverka) to the Acting Secretary of State

WASHINGTON, July 15, 1931.

SIR: I have the honour to communicate herewith that the Government of the Czechoslovak Republic accepts with great pleasure, both as creditor and debtor, the principles of the moratorium proposed by His Excellency, President Hoover.

In accepting this proposal of the United States the Czechoslovak Government expresses its firm hope that it will mark the beginning of the economic revival of the world.

Accept [etc.] FERDINAND VEVERKA

EGYPT

462.00R296/4499

The Egyptian Chargé (Aly Ismail Bey) to the Acting Secretary of State

WASHINGTON, July 15, 1931.

EXCELLENCY: I have the honour to inform Your Excellency that the Royal Egyptian Government has definitely accepted today the suspension of her part in the German reparations, in conformity with the plan of President Hoover. Inspired by its duties of international solidarity, the Government submitted that acceptance to both Houses, namely the Chamber of Deputies and the Senate, which welcomed the motion by unanimous applause.

I am particularly gratified to inform Your Excellency, also, that the Leaders of the different parties in the Chamber of Deputies, including the Leader of the opposition, supported the Government and congratulated themselves for such an opportunity as would permit Egypt to prove its desire to share in the general cooperation towards peace and economic stability.

Availing myself [etc.] ALY ISMAIL BEY

FINLAND

462.00R296/5185

The Finnish Minister (Aström) to the Secretary of State

WASHINGTON, October 8, 1931.

EXCELLENCY: With reference to my conversations with the Undersecretary of State relative to the announcement made by the President of the United States on June 20th, 1931, concerning postponement of all payments upon the debts of foreign governments to the American Government during the fiscal year beginning July 1, 1931, I have the honor to state that it is my understanding that payments on the debt of the Government of Finland to the Government of the United States, according to the agreement of May 1, 1923,[2] due on December 15th, 1931, and June 15th, 1932, are not expected by the Government of the United States to be made on the dates mentioned.

I have the honor to request Your Excellency to be good enough to inform me as to the correctness of my understanding as stated above.

Accept [etc.] L. ASTRÖM

462.00R296/5185

The Secretary of State to the Finnish Minister (Aström)

WASHINGTON, October 24, 1931.

SIR: I have the honor to acknowledge the receipt of your note dated October 8, 1931, in which you state that it is your understanding that payments on the debt of the Government of Finland to the Government of the United States, due on December 15, 1931, and June 15, 1932, are not expected by the Government of the United States to be made on the dates mentioned.

In reply I have the honor to enclose a copy of the public statement by the President of the United States, June 20, 1931,[3] in which it was stated that subject to confirmation by Congress, the American Government will postpone all payments upon the debts of foreign governments to the American Government payable during the fiscal year

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[2] *Combined Annual Reports of the World War Foreign Debt Commission, 1922–1926* (Washington, Government Printing Office, 1927), p. 120.

[3] *Ante*, p. 33.

beginning July 1, 1931, conditional on a like postponement for one year on all payments of intergovernmental debts owing the important creditor powers.

It is understood that the Government of Finland is not a creditor in respect of intergovernmental debts, reparations and relief debts. This Government, therefore, believes that the Government of Finland, so far as it is concerned, will have no difficulty in accepting unconditionally the President's Proposal as set forth in his statement of June 20, 1931. I should appreciate receiving a statement of the attitude of the Government of Finland in this regard.

The Department of State is not in a position at the present time to supplement with any additional declaration the President's Proposal of June 20, 1931, the execution of which remains dependent on the conditions therein stated.

Accept [etc.] For the Secretary of State:
JAMES GRAFTON ROGERS

462.00R296/5326

The Finnish Minister (Aström) to the Secretary of State

WASHINGTON, November 27, 1931.

EXCELLENCY: I have the honor to refer to Your Excellency's note, dated October 27 [*24*], 1931, by which you were good enough to inform me about the proposal set forth by the President of the United States in his statement of June 20, 1931, concerning the postponement of payments upon the debts of foreign governments to the American government during the fiscal year beginning July 1, 1931.

I have the honor to inform Your Excellency that my Government has now instructed me to state that it is glad to accept the proposal made by the President of the United States, referred to above.

Accept [etc.] L. ASTRÖM

FRANCE

(See pages 42 ff.)

GREAT BRITAIN, THE BRITISH DOMINIONS AND INDIA

462.00R296/4325

The British Ambassador (Lindsay) to the Under Secretary of State (Castle)

WASHINGTON, June 24, 1931.

DEAR MR. UNDER-SECRETARY: In accordance with my instructions, I communicate to you herewith a statement which will be made today in the House of Commons by the Chancellor of the Exchequer.

Believe me [etc.] R. C. LINDSAY

[Enclosure]

Statement by the British Chancellor of the Exchequer (Snowden) in the House of Commons

"As my Right Honourable Friend the Prime Minister informed the House on June 22nd 'His Majesty's Government in the United Kingdom subscribe wholeheartedly to the principle of President Hoover's proposal and are prepared to cooperate in the elaboration of the details with a view to giving it practical effect without delay.' With the permission of the House I should like to take this opportunity to explain the steps which we have decided to take for this purpose.

"The more consideration we give to the President's declaration the more it seems to us that that declaration constitutes a very great gesture on the part of the United States and it will be a thousand pities if Europe does not respond to it in the same spirit. The beneficial effect of the proposal may be lost unless steps are taken by all countries concerned to give it prompt and practical effect.

"This is particularly the case as regards Germany which after all is the essential difficulty. We agree with the view expressed by the United States Government that there is not time for a conference. A more prompt method must be found for putting into operation the proposal of the United States Government for a complete and immediate suspension of German payments to creditor governments.

"Procedure which we would favour is that credit[or] governments should forthwith notify Bank for International Settlements that they agree to proposal for suspension for one year of all German payments due to them. Decision of course does not rest with us alone and we are awaiting the views of the other creditor governments; but we hope that it may be possible to secure agreement on these lines as soon as possible.

"President Hoover's proposal applies however to 'all intergovernmental debts, reparations and relief debts.' His Majesty's Government for their part accept this proposal in spirit as well as letter. They will accordingly be ready to suspend for one year all such intergovernmental debts due to them as soon as President Hoover's proposal has been generally accepted and in the meantime as from July 1st they will refrain from claiming instalments that may fall due. As regards relief debts His Majesty's Government are at once taking steps to inform other European Governments which hold relief bonds of their action and to invite them to cooperate. Finally although His Majesty's Government in the United Kingdom do not regard President Hoover's proposal as directly affecting war obligations of the Dominions and of India to the United Kingdom which are a

matter for discussion and settlement between those of His Majesty's Governments concerned we felt we should be interpreting the wishes of the country in deciding freely to offer the Dominions and India the same concession as if proposed for foreign countries under the same conditions.

"Accordingly when inviting assent of the Dominion Governments and the Government of India for suspension of German payments so far as regards the share to which they are entitled we intimated that on the same principle we would readily give them the option of postponing the whole amount of their war debt payments to United Kingdom for a period of twelve months from July 1st, 1931, if they so desire.

"These proposals will involve loss to current budget which may reach approximately eleven million pounds. This is a serious sacrifice for taxpayers of this country upon whom such heavy calls have already been made but we hope that the step which we are taking in cooperation with the United States will be more than justified by the help it will give to reviving confidence and prosperity."

462.00R296/4477

The British Ambassador (Lindsay) to the Acting Secretary of State

WASHINGTON, 10 July, 1931.

MY DEAR MR. ACTING SECRETARY OF STATE: The following is the text of a letter which the Treasury in London addressed to the Bank of International Settlements yesterday:—

"I am directed by the Lords Commissioners of H. M. Treasury to inform you that H. M. Government in the United Kingdom of Great Britain and Northern Ireland, H. M. Government in the Commonwealth of Australia, H. M. Government in Canada, H. M. Government in New Zealand, H. M. Government in the Union of South Africa and the Government of India have accepted in principle the proposal made by President Hoover on June 20th, 1931 for suspension of inter-Governmental payments (including reparation payments) falling due from July 1st, 1931 to June 30th, 1932. As you are aware certain outstanding questions as regards the method of giving effect to President Hoover's proposal remain to be settled by the Governments concerned.

In the meantime a monthly instalment of the German annuity falls due on July 15th but, even if the German Government were in a position to transfer this instalment, to demand it would be manifestly inconsistent with acceptance in principle of President Hoover's proposal.

The above-mentioned Governments have therefore decided to refrain in so far as they are concerned, from claiming any payment in respect of the instalment of both unconditional and conditional annuity falling due on July 15th, without prejudice to the rights of bondholders of the German external loan of 1924 and of the German Government five

and a half per cent international loan of 1930 and on the understanding that the terms and conditions of suspension of this payment and of the eventual transfer of amount suspended will be those agreed upon hereafter for giving effect to President Hoover's proposal.

The above-mentioned Governments feel it necessary to add that their decision has been taken with the object of giving immediate relief to existing difficulties in Germany in accordance with President Hoover's proposal by a complete suspension of transfers (whether in cash or in kind) and it must not of course be understood as implying any derogation from the rights of these Governments under the Hague agreements in so far as any payments might be transferred by Germany.

The terms of this letter are being communicated to the other Governments signatory to the Hague agreements of January 20th, 1930 and to the United States Government."

I am to inform you that copies of the above have been communicated to the Italian, Japanese, Belgian, Jugoslav, Portuguese, Greek, Roumanian and Polish Governments and that these governments have been urged to give similar instructions to the Bank of International Settlements.

His Majesty's Representatives in Paris, Berlin and Prague have been instructed to inform the French, German and Czechoslovak Governments of the action taken by H. M. Treasury.

Believe me [etc.] R. C. LINDSAY

GREECE

462.00R296/4142 : Telegram

The Minister in Greece (Skinner) to the Secretary of State

ATHENS, June 26, 1931—5 p. m.
[Received June 26—2 : 36 p. m.]

21. By invitation of Prime Minister [4] I discussed today with him the President's financial proposals and particularly the memorandum cabled to the Greek Minister in Washington embodying Hellenic views.[5] It is presumed that this memorandum is in Department's possession. I draw the following conclusions from my talk with Mr. Venizelos.

1. Greece rejoices over the President's initiative but will not accept any agreement under which she grants relief to others in excess of relief received from the United States. She is a poor struggling country and feels that she should be spared the strain of additional burdens. On the other hand she will accept a workable arrangement which relieves her of loss.

2. Mr. Venizelos regards the situation as acute in Germany only. If for present purposes the plan is limited to Germany and her cred-

[4] E. K. Venizelos.
[5] Not printed.

itors only he is willing at once to add [*adhere?*] unreservedly to the President's proposals. He thinks that the plan could be made operative as to Germany almost immediately but he foresees delay and much negotiation if Austria, Hungary and Bulgaria are dealt with at the same time. He believes that it may prove advantageous to consider the countries other than Germany as a separate problem and possibly by means of joint conference.

3. Mr. Venizelos assumes that the relief to be granted to Greece by the United States includes both the first and the second portions of the debt to the United States as established January 15th, 1928. Please confirm this to me.

4. I am asking Mr. Venizelos to provide me with a precise statement setting forth all items, both receipts and payments, which presumably will show that receipts during the current year arising out of war settlements will exceed payments by 11,872,173 marks. I am also asking him to give me practical suggestions in line with his proposal number 1.

5. In my opinion it would be difficult for Greek finances to stand a moratorium which would have the effect of reducing revenues to any substantial extent. Greece especially would object to any arrangement under which she lost the annuity of 7,161,391 marks attributed to her at The Hague and representing a commercial debt owed by France to the National Bank of Greece, a debt created at the same time and under the same conditions as a debt owed by England to the National Bank of Greece which was recognized and paid by England in 1919.

SKINNER

462.00R296/4198 : Telegram

The Acting Secretary of State to the Minister in Greece (Skinner)

[Paraphrase]

WASHINGTON, June 29, 1931—8 p. m.

18. Reference is made to the last paragraph of your telegram No. 22, June 28, 11 a. m.[6]

1. The President's proposal covers all payments on reparations, relief debts, and intergovernmental debts, both principal and interest. This obviously applies to Hungary and Czechoslovakia. Since the Department so informed the Greek Minister here last Saturday, I do not understand on what basis the reports you refer to could have arisen.

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[6] Not printed.

2. The President's proposal was conceived as a mutual measure. The United States therefore cannot give relief to countries which do not themselves give relief to their debtors.

3. We are not ready at this moment to indicate plans for adjusting the many interrelated financial agreements of the Balkan States. Later discussion among the States primarily concerned will be necessary for the solution of these problems.

4. Please give the Greek Government the substance of the above.

Czechoslovakia has already accepted the President's proposal, as you are no doubt aware.

CASTLE

462.00R296/4214 : Telegram

The Minister in Greece (Skinner) to the Acting Secretary of State

ATHENS, July 1, 1931—1 a. m.
[Received June 30—7 : 49 p. m.]

25. Department's telegram number 18, June 29, 8 p. m. I have discussed Department's telegram with Mr. Venizelos who replied by stating that he can not accept any arrangement which leaves his budget without cover. He discovers no reason why Czechoslovakia should not pay Greece 1,758,000 marks which are neither war debt nor reparations and which represent values of actual property which she acquired. He must have assurances from Bulgaria that since Bulgaria is to profit by postponement of payments amounting to 10,000,000 marks Greece shall be relieved of payments under Cafandaris-Molloff Agreement [7] amounting to 3,794,000 marks. Finally it is essential that Canada shall definitely agree to postponement of payment from Greece of 2,368,099 gold marks. If these three points can be cleared up satisfactorily Greece will be happy to accept President's proposals without further question but failing that she must with regret decline to adopt them. Cannot the Department discreetly ascertain willingness of Canada to agree to postponement of Greek payments? For various reasons Mr. Venizelos is unwilling to consult present Government of Bulgaria but would it not be possible for me to correspond on the Bulgarian and Czechoslovakian items with American Ministers at Sofia and Prague through them ascertaining attitude of those Governments provided of course Department prefers to abstain from discussions of this sort.

SKINNER

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[7] See pp. 189 ff.

462.00R296/4214 : Telegram

The Acting Secretary of State to the Minister in Greece (Skinner)

WASHINGTON, July 1, 1931—4 p. m.

19. Your 25, July 1, 1 a. m. Questions raised by Greek Government are being considered. However, it will not be possible to give answers regarding these questions until the larger issues now under negotiation have been settled.[8]

CASTLE

462.00R296/4520

The Minister in Greece (Skinner) to the Acting Secretary of State

No. 1779 ATHENS, July 2, 1931.
[Received July 15.]

SIR: In various telegrams addressed to the Department during the past few days, I have communicated the point of view of the Hellenic Government in regard to the President's moratorium proposals. It arises out of the data submitted that without a moratorium, and assuming that the European powers meet their obligations, the Greek Government would receive during the fiscal year beginning July 1st, 1931, from foreign governments, 20,270,000 gold marks, and in the same period would be obliged to pay foreign governments the amount of 18,513,245 gold marks. Various questions of detail are still to be determined, and in particular whether or not the Greek debt to Canada arising out of the purchase of wheat, and the obligations under the Kafandaris-Molloff Agreement in [*with?*] Bulgaria are included in the scheme. I have had a number of interviews on this matter with the Prime Minister, whose feelings may be summed up by the statement that in his view the American fiscal authorities are not familiar with what are called oriental reparations, which should be dealt with in a separate and special way. He mentions very particularly that a certain debt to the National Bank of Greece, in which Great Britain and France were involved in the same manner, was recognized as a commercial debt by Great Britain and paid, whereas France escaped payment, but eventually capitulated to the point that Greece was given a larger proportion of reparations from oriental countries than would otherwise have been the case to meet this special claim which, as stated, Greece regards as commercial.

In the course of my interview with Mr. Venizelos, which took place yesterday, he expressed himself as follows. I translate from notes of the conversation which he, himself, supplied:

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[8] See pp. 42 ff.

"I have come to support and define the Greek point of view with respect to President Hoover's proposals. You know the embarrassing situation in which this proposition places us. America, finding herself brusquely in the presence of the danger that Germany might go under, and to prevent this catastrophe, proceeds to an urgent and radical proposition. I do not see what reasons have induced her to include the Oriental reparations in this proposition, but I do believe that if she had had the necessary time to study these reparations she would not have done so; the truth is 76.73% of these reparations, which are paid by Hungary and Bulgaria, come to one single small country, that is, to Greece.

"Bulgaria during the coming year should pay a total, under the head of reparations, of 8,099,996 marks, of which 6,215,127 come to Greece. On the other hand, during the same period, Bulgaria is Greece's creditor for the amount of 3,794,000 marks. This sum, which is applied to the amortization of the credit balance, which goes to the profit of Bulgaria for the liquidation of the property of Greek immigrants in Bulgaria and of Bulgarian immigrants in Greece, is payable to the Bulgarian treasury, according to the Kafandaris-Molloff Agreement of December 9, 1927, under the plan of payment of 1922. The debt to Bulgaria, therefore, without any doubt, falls within the frame of the Hoover proposal. In any case, the Hellenic Government desires to know if the American Government recognizes the reasonableness of this point of view.

"Hungary, whose financial situation is not at all critical, whose budget balances, pays a total, during the same period, of 7,230,000 marks, of which 5,547,685 come to Greece.

"Finally, Czechoslovakia undertook at the Hague to pay a fixed annuity of 10,000,000 marks during 37 years, to be divided among the creditor Powers, of which Greece receives 17.58%, that is, 1,758,339 marks.[9] This is not a reparation debt. It constitutes the price in consideration of which Czechoslovakia was liberated from the obligation of paying into the reparation treasury the value of property ceded to it by the former Austro-Hungarian monarchy. If this debt were remitted to Czechoslovakia, she would find herself in a particularly privileged situation since, on the other hand, she is also subject to the payment of war debts, the annuity of which, according to my information, should amount to 25,000,000 marks.

"This privileged situation established in favor of a rich and flourishing land, likewise the unfavorable treatment which menaces a weakened country like Greece, in which the war was prolonged with short intervals during ten years, ending with a catastrophe and the arrival of a flood of 1,500,000 refugees, suffices to show that the inclusion of the oriental reparations in the Hoover plan must have been decided before its consequences had been examined. Otherwise, it would be difficult to conceive that breaches should thus be opened in the budget of a little country for the benefit of other countries who do not suffer in the same manner.

"There is, however, a means of remedying the difficult situation in which Greece finds herself placed. If it is decided that Czechoslo-

[9] See Great Britain, Cmd. 3484, Misc. No. 4 (1930), p. 170.

vakia shall not benefit by the suspension of payments on account of the Greek debt arising out of the acquisition of property, or, at all events, that she shall continue to pay regularly the Greek portion of this amount, if, moreover, the suspension of payments is extended to our debt to Bulgaria and to our debt to Canada which was fixed in the London agreement of December 27, 1923, then Greece would find herself covered, and would suffer no damage from the application of the Hoover proposition.

"There is, finally, another aspect of the question which the efforts that I have consecrated to the cause of peace in this part of the world encourage me to touch upon. The Hoover proposition has as its object the amelioration of conditions in the world generally, and to contribute to the consolidation of universal peace; but one of its effects, nevertheless, will be to destroy international treaties to which America is not a party. Certainly America has a world prestige sufficiently important to accomplish an act of this nature if this act is based upon justice, but if this base is lacking it would constitute, I fear, the resurrection of the theory of 'a scrap of paper.' If America should employ its moral authority to impose upon a small country in the Near East, a heavy sacrifice of its rights for the benefit of other countries which do not need this sacrifice, she would weaken the sentiment of justice and the respect for international obligations and would compromise by this fact the work of consolidation of peace in this portion of the world."

Respectfully yours, ROBERT SKINNER

462.00R296/5151 : Telegram

The Secretary of State to the Chargé in Greece (Fisher)

WASHINGTON, October 3, 1931—noon.

31. Your 39, October 1, 3 p. m.[10] I desire that you seek an early audience with Mr. Venizelos and that you convey to him an expression of this Government's satisfaction that Greece and Bulgaria are endeavoring to arrive at a mutually satisfactory arrangement respecting their obligations during the debt suspension year.

You should add that while this Government is of course not in a position to formulate an opinion respecting the legal aspects of the question at issue, it considers that the proposal understood to have been made by the Bulgarian Government offers a practicable basis for a solution of the problem now confronting the two countries and sincerely hopes that the Greek Government will give that proposal its earnest consideration.

STIMSON

[10] Not printed.

462.00R296/5301

Memorandum by the Chief of the Division of Near Eastern Affairs (Murray) of a Conversation Between the Secretary of State and the Greek Minister (Simopoulos)

[WASHINGTON,] November 5, 1931.

The Greek Minister called on the Secretary on November 4, 1931, under instructions from his Government, to make an urgent appeal in the matter of Greece's position under the President's proposal and the payment due this Government by the Greek Government on November 10, 1931.

Mr. Simopoulos described in some detail the embarrassing situation in which Greece now finds herself by reason of the fact that her conditional acceptance of the Hoover proposal has not been considered adequate by the Department and by reason of the fact that the Treasury Department is demanding the above-mentioned payment due by Greece in the absence of a statement by this Department that Greece has accepted the President's proposal.

The Secretary told the Greek Minister that he had every sympathy for Greece in her present dilemma. The Secretary, however, reminded Mr. Simopoulos that he was without authority to dictate to the Treasury in such matters, the Treasury being obligated to act only in accordance with the law. He explained that if Mr. Simopoulos could supply him either with a statement that the Greek Government had already settled its dispute with the Bulgarian Government, or that the Greek Government was prepared to accept the President's proposal in respect of the suspension of intergovernmental debts for the period from July 1, 1931 to July 1, 1932, the Secretary would be willing to use his influence with the Treasury to obviate the necessity of demanding that Greece make the payment due on November 10, next. The Secretary explained further that without such prior assurances from the Greek Government it would be useless for him to take the matter up with the Treasury.

WALLACE MURRAY

462.00R296/5287 : Telegram

The Minister in Greece (Skinner) to the Secretary of State

ATHENS, November 5, 1931—4 p. m.
[Received November 5—1 : 20 p. m.]

50. The International Financial Commission informs me that in consequence of information received from the Greek Government, it regards itself as authorized to suspend payment of amounts due

the United States on November 10, 1931 and May 10, 1932 in consequence of the applicability of the President's moratorium program.

SKINNER

462.00R296/5287 : Telegram

The Secretary of State to the Minister in Greece (Skinner)

[Paraphrase]

WASHINGTON, November 5, 1931—6 p. m.

35. Reference is made to your telegram No. 50 of November 5, 4 p. m. Inform the Greek Government and the International Finance Commission immediately that the Government of the United States, in the absence of a satisfactory acceptance by Greece of the President's proposal regarding the suspension of intergovernmental debts, has not authorized and cannot authorize the International Finance Commission to suspend payment.

We have had extensive discussions with the Greek Minister in the matter; he fully understands our position and informs us that he has communicated it to his Government. We have told the Minister that as soon as the President's proposal is accepted by the Greek Government, we will make every effort to secure at once the consent of the Treasury Department to a suspension of the Greek payments to this Government.

STIMSON

462.00R296/5296 : Telegram

The Secretary of State to the Minister in Greece (Skinner)

WASHINGTON, November 7, 1931—4 p. m.

36. Your 52, November 7, 4 p. m.[11] In view of receipt by you of Mr. Venizelos' letter[12] stating that the Greek Government accepts without reservations of any sort the President's proposal, Mr. Venizelos may now with this Government's approval inform the International Financial Commission that the Greek payment due November 10 may be held by the Commission pending further instructions upon the understanding that the funds in question are being held by the Commission for the account of this Government pending favorable action by Congress on the President's proposal which action is expected soon after Congress reconvenes, in December. You may inform the Commission in the same sense.

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[11] Not printed.

[12] *Post*, p. 216.

It is of course understood that immediately following such favorable action by Congress the payment made by Greece on July 1, last, and the funds mentioned above will be returned or released and that Greece will be relieved of other payments due during the debt suspension year.

Please keep Department promptly informed of developments.

STIMSON

462.00R296/5325

The Minister in Greece (Skinner) to the Secretary of State

No. 1923 ATHENS, November 9, 1931.

[Received November 24.]

SIR: In my telegram No. 49 of November 4, 4 P. M., 1931,[13] I communicated to the Department the substance of a letter addressed to me by the Prime Minister, together with a more lengthy memorandum dealing with the effect of the moratorium proposals on finances. Mr. Venizelos, before my return to Athens, had heard with great perturbation that Greece was not to be included in the list of countries benefitting from the President's moratorium program because of her failure to accept the proposition without reserves. I do not think it is necessary to trouble the Department with the full text of the long memorandum referred to above inasmuch as the incident is now concluded. After the receipt of the Department's cabled reply, I saw Mr. Venizelos again and learned to my astonishment that he had been laboring under the impression that the proposals covered a period of ten years! When I showed him that this was not the case, and furthermore explained fully the position as I saw it, he at once accepted the proposals without any reservation, whatever, as I telegraphed the Department in my No. 52 of November 7, 4 P. M.[13]

Mr. Venizelos, after accepting orally, confirmed his statement to me in a letter, a full copy of which in translation I enclose herewith. I have made it clear to him, I think, that we have no means of dealing in any way with the controversy between himself and Bulgaria and other Near Eastern countries, and I believe that he now understands the position.

For the Department's information, I may add that in my own view there is no doubt that since Greece is to receive no reparation payments whatever from Bulgaria, it would be absurd to expect her to pay Bulgaria under what is called the Kafandaris-Molloff agree-

[13] Not printed.

ment, a debt from government to government, merely because the Bulgarian Government afterwards makes use of these funds for the settlement of private claims.

Respectfully yours, ROBERT SKINNER

[Enclosure—Translation]

The Greek Prime Minister (Venizelos) to the American Minister (Skinner)

MR. MINISTER: I have to confirm to you in writing that, as I informed you last evening, we accept the proposal of President Hoover regarding "all payments of inter-governmental debts, reparations and debts of assistance, not including governmental obligations held by private persons".

I cannot, however, refrain from expressing a complaint; when, since the month of June, in our reply to the Hoover proposal, we had accepted, without making conditions, the remission of German reparations but had formulated certain reservations for Eastern reparations, the American Government not only did not advise us that it considered these reservations inadmissible in principle, but on the contrary informed us that it would examine them and give us its opinion on them later, being at that time absorbed in negotiations with France. In July, when the Conference of Experts of London was convened at which we made the same reservations, the American Expert, who was present, did not declare that he considered them inadmissible, and he allowed the acceptance by us of the remission of German reparations as well as the declaration of the experts to the effect that the difficulty which had arisen between Greece and Bulgaria should be settled by direct agreement between the two countries.

Therefore we could consider as beyond doubt that the American Government was according us the remission of our debt to it for the Hoover year.

Nevertheless, only a few days ago, we were informed that we were to pay this debt because the American Government believes that we have not accepted its proposal on account of the reservations we have made.

I have no intention whatever of questioning the right which the American Government had to state in the beginning that it does not accept our reservations and that it does not intend to accord us suspension of the payments of our debt to it.

But I do not believe that it could declare in the beginning that it would examine our reservations, without giving us any answer in consequence and informing us at last, only a few days ago, that it does not intend to remit our debts during the Hoover year because it considers that we have not accepted the American proposal.

In the meantime we had consented to grant the requested remission not only to Germany, but also to Czechoslovakia, Hungary and Bulgaria for reparations, and we had only demanded payment of a debt of Hungary arising from damages suffered by Hellenic nationals during Greece's period of neutrality, and had informed Bulgaria that we were not paying her, during the same year, our debt under the Caphandaris-Molloff Convention.

Thus, while owing to the American proposal we are paid none of the $5,136,954 which we were to receive during the Hoover year from Germany, Czechoslovakia, Bulgaria, Hungary and Austria, the American Government has just informed us at the last minute that it claims payment during the same year of our debt to it which amounts to $1,110,000.

This simple narration of events suffices to explain the complaint which I have permitted myself to express to the American Government.

However, in declaring today the complete acceptance of the Hoover proposal, I consider it my duty to acquaint you that Greece, in agreeing to receive nothing during the Hoover year from Hungary and Bulgaria for reparations, from Hungary and Austria for damages caused to private persons during the period of neutrality, has decided not to pay on its side what it owes Bulgaria under the Caphandaris-Molloff agreement.

I beg [etc.] E. K. VENISELOS

462.00R296/5311 : Telegram

The Minister in Greece (Skinner) to the Secretary of State

ATHENS, November 12, 1931—3 p. m.
[Received November 12—10:50 a. m.]

54. Department's 36, November 7, 4 p. m. Negotiations between director Bulgarian public debt and Greek Government resulted yesterday in temporary agreement to suspend mutual payments, from Bulgaria to Greece under head of reparations, and from Greece to Bulgaria under Kafandaris-Molloff agreement during present moratorium.

SKINNER

HUNGARY

462.00R296/4206a : Telegram

The Acting Secretary of State to the Minister in Hungary (Roosevelt)

[Paraphrase]

WASHINGTON, June 29, 1931—8 p. m.

8. Our understanding is that the Government of Greece has received information from Budapest and Prague to the effect that the mora-

torium proposal does not apply to Hungary and Czechoslovakia. In particular, the French Minister is supposed to have been told by Count Bethlen[15] that the American proposal did not apply to Hungary's reparation obligations and that consequently the Hungarian Government has taken no action.

Obviously these reports are inaccurate. If you find it to be true that the Government of Hungary is under any misapprehension in this matter, you may wish to make informal explanations to the Hungarian Foreign Office that President Hoover's proposal was intended to apply to all countries including Hungary.

Czechoslovakia has already accepted the President's proposal, as you are no doubt aware.

CASTLE

462.00R296/4222 : Telegram

The Minister in Hungary (Roosevelt) to the Acting Secretary of State

[Paraphrase]

BUDAPEST, July 1, 1931—11 a. m.
[Received July 1—10:05 a. m.]

19. Reference is made to the Department's telegram No. 8, June 29, 8 p. m. The Government of Hungary is concerned that the President's proposal may have the result of opening up again the extremely complex question of Eastern reparations and the optants. I am informed by the Prime Minister that the Hungarian Government is studying this matter before replying.

ROOSEVELT

[No formal acceptance by Hungary of the President's proposal has been found in Department files, although Hungary did accept; see letter from the Secretary of State to the Chairman of the Ways and Means Committee of the House of Representatives, December 16, 1931, printed on page 240; also Great Britain, Cmd. 4052, Hungary No. 1 (1932) : *Protocol Providing for Suspension of Certain Payments Due by Hungary Under the International Agreements of April 28, 1930.*]

[15] President of the Council of Ministers of Hungary.

ITALY

462.00R296/4035 : Telegram

The Ambassador in Italy (Garrett) to the Secretary of State

[Paraphrase]

ROME, June 22, 1931—5 p. m.
[Received June 22—4:25 p. m.]

101. This morning Grandi [16] told me he had received a telegram from De Martino [17] reporting his conversation with you on Saturday in regard to debts and reparations. He did not, however, tell me what you had said. The text of the White House communiqué had apparently been received by him. This, however, was published yesterday morning in all the papers here. These interesting comments were made by him: This afternoon he is taking the matter up with his chief, but since consultations are required with other members of the Government, and I gathered that he is also obtaining information from Italian representatives in the other capitals concerned, it may be several days before the Italian viewpoint can be given. As soon as possible there will be communicated to De Martino the Italian viewpoint.

After saying they had not expected so much from America, Grandi said he felt sure Italy would fall in with the President's suggestion. Italy was disposed to come to Germany's assistance, but could not grant to Germany a complete remission of reparations for a year without an undertaking on her part not to proceed further with the German-Austrian Customs Union during that period. Financial assistance had been offered to Austria in her present crisis by France and there had been coupled with it political terms with which Italy, who was also ready to help Austria financially, was now disposed to agree, though in a less harsh manner than France. He was informed that strenuous efforts of the German Legation at Vienna had been successful in bringing about the appointment of a more pro-German or pan-German Cabinet than Austria had yet had. In the remission of reparations, Italy was clearly not disposed to do anything that would permit Germany to help Austria financially, coupling with her help, as she surely would, further pressure towards the German-Austrian Customs Union. Although there was a point in her relations with Germany beyond which Italy could not and would not go, Italy and Great Britain were inclined to help Germany. Anything that might help Germany to extend her hegemony over any of the succession states, particularly over Austria, would be opposed by Italy.

GARRETT

[16] Dino Grandi, Italian Minister for Foreign Affairs.
[17] Giacomo de Martino, Italian Ambassador in the United States.

462.00R296/4035 : Telegram

The Secretary of State to the Ambassador in Italy (Garrett)

[Paraphrase]

WASHINGTON, June 23, 1931—3 p. m.

90. The conversation reported in your 101 of June 22, 5 p. m., has much surprised and concerned me.

The debt statement of the President is an effort to bring about relief by giving all debtor nations time to breathe without changing the legal relations and obligations existing between them and their creditors, at a moment of dangerous tension and in the face of a major crisis. This Government, to do this, contemplates a far greater sacrifice than any which would be entailed for Italy by the suggestion. According to your 101, I now find that Grandi told you that Italy was disposed to come to the assistance of Germany but could not grant Germany a complete remission of reparations for a year without Germany, on her part, undertaking not to proceed any further with the Austro-German Customs Union during that period.

I can hardly believe that there is not some misunderstanding of Signor Grandi's meaning, in view of the fact that such an attempt to inject political bargaining into a relief measure designed to meet a great crisis is so contrary to the obvious requirements of the European situation and to the spirit of the President's suggestion. You may recall, as Grandi pointed out, that no political terms were imposed when assistance was finally arranged for Austria, who, at the time, was involved in a most difficult financial crisis. A most painful impression was caused by the very suggestion that such terms might be asked, which came as a shock to this country. To me it is evident that no Government would in exchange for financial safety accept such conditions.

It is impossible for me to reconcile Signor Grandi's attitude which is expressed in your No. 90 of June 10,[18] with those which your No. 101 contains. From your 90 and 91,[18] I gathered that Italy had been among the first to recognize that this question needed a generous and far-sighted attitude and that in such a movement Italy was prepared to take the lead. It seemed to me to be certain that she would welcome a broad move for relief made on her own suggestion, as it were.

The World Court has had referred to it the legal aspects of the proposed Austro-German Customs Union, and my understanding is that the decision of the Court in the premises must be accepted by Italy, as well as by France, Germany, and Austria. Any intimation at this time that the Court's decisions were to be so perfunctory that mem-

[18] Not printed.

ber nations were disposed not to await them before attempting to impose political conditions connected with the Customs Union on the parties who had submitted their disputes to the Court would shock us and if such a state of affairs were revealed to opinion in the United States, it would certainly draw the most discouraging conclusions.

I should say at once that there is no chance of getting through Congress any other type of measure, and if it were felt by Congress that advantage was being taken of the President's suggestion as a means of exacting political concessions in Europe, its withdrawal would at once be insisted on by Congress. The Government which had injected political demands into this relief measure would have to bear the responsibility for the situation thus created and public sentiment would be deeply exercised against it in this country and, I believe, in many others.

Grandi should be cautioned by you with regard to the effect in this country of any public report of the views he expressed to you. A revulsion of feeling against the plan and against Italy would ensue if this came to the knowledge of the leaders with whom the President has consulted and on whom he relies for the furtherance of his proposal.

The unfortunate impression which has been made on the President and me and which will be made on Congressmen and the public by Grandi's message has only been mildly described in the foregoing. However, the danger of the obstacles which might be created by exciting in members of the Italian Government the strong feeling which their message has excited in us is realized by me, and in the presentation of the case, I rely upon you to use your judgment in view of your closeness to the Italian Government.

I desire you to see Grandi and to talk with him on the basis of what I have said in the preceding paragraphs. You should make it plain to him that we are relying on his unfailing statesmanship to make it possible for the suggestion to be welcomed by Italy in the same spirit in which it was offered by the President.

STIMSON

462.00R296/4062 : Telegram

The Ambassador in Italy (Garrett) to the Secretary of State

ROME, June 23, 1931—8: 30 p. m.
[Received June 23—6: 37 p. m.]

105. Following is translation of telegram which Chief of Government [19] sent this evening to Italian Ambassador at Washington and

[19] Benito Mussolini.

of which Minister for Foreign Affairs has just handed me original text:

"I beg Your Excellency to inform the Government of the United States that I have examined the proposal of President Hoover for the total suspension during a year of the payment of the debts between governments.

This proposal necessitates considerable sacrifices on the part of Italy but I, after mature reflection, have decided to give it my cordial acceptance in principle. I expect to convey later to the American Government some observations on my part concerning an application at once equitable and practical, as is certainly within the intention of President Hoover, of the happy initiative of the American Government. Hope that the initiative of President Hoover of which the high moral significance has been perfectly understood by the Italian people, will inaugurate a period of the most successful collaboration between the nations so much more necessary in this moment of general difficulties and on the eve of the Disarmament Conference."

The Minister for Foreign Affairs informs me that it is proposed to give the foregoing to the press tomorrow at noon.

GARRETT

462.00R296/4062 : Telegram

The Secretary of State to the Ambassador in Italy (Garrett)

[Paraphrase]

WASHINGTON, June 23, 1931—9 p. m.

92. The Embassy's telegram No. 105, June 23, has just reached the Department. You will please express to Signor Grandi the pleasure which I feel at the acceptance in principle by Mussolini of the President's proposed plan.

Whether or not the Italian Government is contemplating at the present time linking the demands relating to the Customs Union with the acceptance of President Hoover's proposal, I leave to your judgment to determine, in view of the above message. You should withhold for the time being conveying the considerations in my telegram No. 90, June 23, 3 p. m., if you are of the opinion that they have put aside this idea.

However, should you consider that the observations which the Head of the Government anticipates presenting later on to the United States are in any way related to the demands outlined in your telegram No. 101, you should proceed with the utmost tact and caution to discuss with Signor Grandi the points cited in my telegram No. 90.

Should you be able to learn that no further actions or decisions will be undertaken by the Italian Government within the next day or two, I should be glad to learn your views concerning my telegram

No. 90 before you discuss with Grandi the points outlined therein. Nevertheless, should you anticipate that further decision or action is imminent which would be likely to connect the Customs Union matter with the acceptance of the President's proposal, you should not delay your conversation with Grandi in order to communicate with me.

STIMSON

462.00R296/4092 : Telegram

The Ambassador in Italy (Garrett) to the Secretary of State

[Paraphrase]

ROME, June 24, 1931—8 p. m.
[Received June 24—5 : 40 p. m.]

107. Reference is made to my telegram No. 106, June 24, 1 p. m.[20] and your telegram No. 92, June 23, 9 p. m. Grandi, whom I have just seen, seems greatly worried by what are, in his opinion, misinterpretations of Italy's acceptance of the Hoover proposal which have appeared in newspapers abroad. He asks me to tell you that Italy has made a full and cordial acceptance; that this acceptance is not limited by any political reservations, and that it is in fact similar to and in agreement with the terms of the British acceptance. Grandi states that the word "observations" in Mussolini's telegram refers to matters of detail in the way in which the project might be carried out. Italy fully recognizes President Hoover's initiative, and Italy cannot and does not make any political reservations in accepting it. Grandi stated that he had just sent an instruction by telegraph to De Martino embodying the above.

GARRETT

462.00R296/4143

Memorandum by the Under Secretary of State (Castle)

[WASHINGTON,] June 25, 1931.

The Italian Ambassador telephoned me last night, about 10:30, that he had just finished decoding the telegram from Italy which was an acceptance of the President's proposal and asked whether he could come to my office at 9 o'clock to read it to me.

He read me the telegram, translating it as he read, as follows:

The Italian Government instructed him to assure the American Government that the full and cordial acceptance of Italy to the President's proposal was in no way subordinated to political conditions. On the contrary, that acceptance has been formulated in

[20] Not printed.

terms closely corresponding to the British answer. The observations which the Italian Government intends to make concern solely the methods of realization of the plan. Therefore, Mr. Grandi said the Italian Ambassador had correctly answered the Secretary of State in saying that he did not feel the Italian acceptance had anything to do with political questions. So far as the Austro-German Customs Agreement is concerned, Italian public opinion, very conscious of the dangers of a union between Austria and Germany to Italy and to Europe, was somewhat worried that Germany, freed from its financial burdens and the only European country whose budget was without serious deficit, might feel this an opportunity to bring about the realization of the plan. This apprehension appears to have been the ground for some misunderstanding and foreign papers, in consequence, spoke of an Italian reservation along those lines. The Royal Italian Government, on the contrary, realizes that the initiative of the President is of a broad, economic and indeed world wide order, and understands the impossibility of connecting or subordinating it to problems of European politics, however important. It is, therefore, true that the Royal Government has never thought of making any such reservation.

The Ambassador was further told to make it very clear, in order that this Government should understand the Italian point of view, that this acceptance means real sacrifices in a country which already considers itself, and has from the beginning so considered itself, in a condition of inferiority as compared to the other countries under the Treaties of Peace. The Italian acceptance, quick and spontaneous, flows fully from the the entire plan on which for several years Mussolini has conducted the Government. The Fascist Government, it may be seen, is fully conscious of the necessities of the movement and of the moral and practical importance of the American initiative.

The telegram finally instructed the Ambassador to emphasize the favorable attitude of the Italian press toward the President's proposal.

W. R. CASTLE, JR.

462.00R296/4121

The Italian Ambassador (De Martino) to the Secretary of State

WASHINGTON, June 25, 1931.

MR. SECRETARY OF STATE: In conformity with the instructions of my Government I wish to communicate to Your Excellency the following telegram received this morning from Signor Grandi:

"Yesterday the Italian Government informed officially the Governments of Great Britain, France and Germany of the acceptance on the part of Italy of the proposal of President Hoover. This morning, in accordance with the instructions of the Head of the Government, a

conference was held with the Minister of Finance and the Governor of the Bank of Italy, for the purpose of making the proper arrangements so that President Hoover's proposal for the suspension of debt and Reparations payments may have, as early as the 1st of July next, a prompt and full execution".

Accept [etc.] DE MARTINO

462.00R296/4230 : Telegram

The Ambassador in Italy (Garrett) to the Acting Secretary of State

ROME, July 1, 1931—11 a. m.
[Received 1:03 p. m.]

116. My 109, June 25, 3 p. m.[21] Following communiqué published this morning:

"In expectation of an early definite agreement as a result of present negotiations among all the interested governments, the Italian Government as a consequence of its attitude of full and cordial adherence to President Hoover's proposal, has taken preliminary measures to put the American Plan into effect. For this purpose the Minister for Foreign Affairs in accord with the Minister of Finance has informed the Governments of its debtor States that the Italian Government does not intend to claim the payments falling due to it on July 1 under the Young Plan and the Hague Agreements.

It has simultaneously informed the Governments of creditor States that the Royal Government is holding in reserve pending a decision the payments which Italy is due to pay on the same date".

Minister for Foreign Affairs informs me that payments due to the creditor States will be deposited in a suspense account with the Bank of International Settlements.

GARRETT

JAPAN

462.00R296/4330

Memorandum by the Acting Secretary of State of a Conversation With the Japanese Ambassador (Debuchi), July 2, 1931

[WASHINGTON,] July 3, 1931.

Mr. Debuchi told me that Japan was cordially in accord with the President's proposal for a holiday on debts. He said that Japan had not answered formally because they had received no formal notification, but as soon as we would so notify them, they would be very glad to make a formal reply.

W[ILLIAM] R. C[ASTLE, JR.]

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[21] Not printed.

[No formal acceptance by Japan of the President's proposal has been found in Department files, although Japan did accept; see letter from the Secretary of State to the Chairman of the Ways and Means Committee of the House of Representatives, December 16, 1931, printed on page 240.]

LITHUANIA

462.00R296/5323

The Lithuanian Minister (Balutis) to the Secretary of State

WASHINGTON, November 19, 1931.

SIR: Referring to your communication of October 24, 1931,[23] concerning the postponement of all payments upon the debts of foreign Governments to the American Government payable during the fiscal year beginning July 1, 1931, and a request for a statement of the attitude of the Lithuanian Government with regard to its acceptance of the President's Proposal, I have the honor to state that I have been instructed by my Government to inform you that the Lithuanian Government is ready to accept the President's Proposal, as set forth in his statement of June 20, 1931.

Accept [etc.] B. K. BALUTIS

LATVIA AND ESTONIA

462.00R296/5237 : Telegram

The Secretary of State to the Chargé in Latvia (Cole)

WASHINGTON, October 24, 1931—2 p. m.

38. Reference is made to the President's public statement of June 20, of which the Legation probably has text, proposing, subject to confirmation by Congress, to postpone all payments upon the debts of foreign governments to the United States Government payable during the year beginning July 1, 1931, conditional on a like postponement for 1 year by other creditor powers.

It is understood that the Latvian and Estonian Governments are not creditors in respect of intergovernmental debts, reparations and relief debts. This Government, therefore, believes that these Governments, so far as they are concerned, will have no difficulty in accepting unconditionally the President's Proposal as set forth in his statement of June 20.

You are requested to obtain at an early date a statement of the attitude of the Latvian and Estonian Governments with regard to the acceptance of the President's Proposal.

Telegraph substance of statements.

STIMSON

[23] Not printed.

462.00R296/5247 : Telegram

The Chargé in Latvia (Cole) to the Secretary of State

RIGA, October 28, 1931—4 p. m.
[Received October 28—12 : 25 p. m.]

46. Department's 38, October 24, 2 p. m. Latvian Government accepts unconditionally. Despatch follows.[24]

COLE

462.00R296/5266 : Telegram

The Chargé in Latvia (Cole) to the Secretary of State

RIGA, November 4, 1931—11 a. m.
[Received 12 : 10 p. m.]

48. Department's 38, October 24, 2 p. m. Estonian Government wholeheartedly appreciate this important action of the President of the United States and accepts unconditionally. Despatch follows.[24]

COLE

POLAND

462.00R296/4190

The Polish Chargé (Sokolowski) to the Acting Secretary of State

The Chargé d'Affaires ad interim of Poland presents his compliments to the Acting Secretary of State, and referring to his enquiry of June 25, 1931,[25] as to the attitude of the Polish Government towards the proposal of President Hoover published in the general press on June 20th and 21st, has the honor to inform him that the Polish Government welcomes with the highest appreciation the noble initiative of President Hoover, in the belief that it will be coincident with a general political relaxation, and regards such initiative as an important step towards the stabilization of Peace.

WASHINGTON, June 27, 1931.
No. 168/T/31

PORTUGAL

462.00R296/4286 : Telegram

The Acting Secretary of State to the Minister in Portugal (Magruder)

WASHINGTON, July 3, 1931—2 p. m.

14. I have noted with appreciation that the Portuguese Government has decided spontaneously to postpone for a year the collection of the

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[24] Not printed.
[25] Not found in Department files.

German reparations due to Portugal and that this action was notified in a statement relating to the budget for the fiscal year 1931–32. It is most encouraging to this Government to see that the Portuguese Government is taking steps which are so fully in harmony with the President's proposal of June 20, 1931. The prompt and effective cooperation thus given by the Portuguese Government toward relief and the reestablishment of economic stability and prosperity in the world is most gratifying to this Government.

Unless you perceive some reason for not doing so, please transmit the above to the Minister for Foreign Affairs. Cable Department report of delivery.

CASTLE

462.00R296/4282 : Telegram

The Minister in Portugal (Magruder) to the Acting Secretary of State

LISBON, July 4, 1931—8 p. m.
[Received July 4—5 : 12 p. m.]

19. Department's instruction No. 14, July 3, 2 p. m. Statement referred to by the Department reads as follows:

"The proceeds of the German reparations appear under revenue, as there is nothing definite yet regarding President Hoover's proposal to postpone the payment thereof for 1 year in connection with the interallied debts. Inasmuch as we enter them under revenue, we likewise enter under expenditures the 350,000 pounds sterling which, failing any agreement, we shall have to pay to England from the installments falling due next year. Should the postponement materialize, it will cost us some thousands of contos which it is necessary to sacrifice, they say for the good of Germany and of the world."

In consequence I have deferred action inasmuch as no decision has yet been taken by Portugal.

MAGRUDER

462.00R296/4597 : Telegram

The Minister in Portugal (Magruder) to the Acting Secretary of State

LISBON, July 19, 1931—1 p. m.
[Received 3 : 25 p. m.]

24. Department's telegram No. 14, July 3, 2 p. m. Yesterday, Portuguese Government acceded to British invitation to adopt Hoover proposal but made reservations in respect of reparations in kind and refrained from any public announcement.

Under the circumstances does the Department still desire delivery of message?

MAGRUDER

462.00R296/4597 : Telegram

The Acting Secretary of State to the Minister in Portugal (Magruder)

WASHINGTON, July 20, 1931—7 p. m.

16. Your telegram No. 24, July 19, 1 p. m. As no public announcement has been made of the Portuguese acceptance of the President's proposal, and as its adherence has not been communicated to this Government, I deem it unnecessary to deliver the message contained in the Department's telegram No. 14, July 3, 2 p. m., but shall instruct you further if and when such announcement is made.

CASTLE

462.00R296/4713 : Telegram

The Minister in Portugal (Magruder) to the Acting Secretary of State

LISBON, July 25, 1931—10 p. m.
[Received July 25—9 : 05 a. m.]

28. My telegram No. 27, July 24, 8 p. m.[27] Following communication published this morning:

"On the 18th instant official notification was given of acceptance in principle by the Portuguese Government of the Hoover proposal with certain reservations relating primarily to the reparations in kind which have special importance for Portugal. There has been sent to London a Portuguese expert who is handling the matter there."

MAGRUDER

462.00R296/4713 : Telegram

The Acting Secretary of State to the Minister in Portugal (Magruder)

WASHINGTON, July 27, 1931—7 p. m.

18. Your telegram No. 28, July 25, 10 p. m. In place of the message contained in Department's No. 14, July 3, 2 p. m., please transmit the following to the Minister for Foreign Affairs:

"I have noted with pleasure that the Portuguese Government has decided to accept the President's proposal and to postpone for 1 year the collection of the German reparations due to Portugal. It is most encouraging to this Government to see that the Portuguese Government is following the President's suggestion. The cooperation thus given by the Portuguese Government toward relief and the re-establishment of economic stability and prosperity of the world is gratifying to this Government."

CASTLE

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[27] Not printed.

RUMANIA

462.00R296/4418

The Rumanian Minister (Davila) to the Acting Secretary of State

NEWPORT, RHODE ISLAND, July 4, 1931.
[Received July 6.]

MY DEAR MR. SECRETARY: I have the honor to communicate to you the reply of my Government to the proposal of the American Government:

"Appreciating the motives of solidarity which have inspired the proposal of President Hoover and hoping that the new policy of co-operation which will result from this gesture of the United States of America will have the happy effect of strengthening the peace and of bringing the nations closer together by solving the financial problems which constitute the grave consequences of the world crisis, the Roumanian Government adheres to the Hoover Proposal, greatly wishing that this proposal should have the most happy results. The Roumanian Government expresses its hope that the sacrifice to which it consents will not exceed certain limits, in order that the new Ministry may be able to achieve the financial consolidation for which it is striving."

Accept [etc.] DAVILA

YUGOSLAVIA

462.00R296/4135

Memorandum by the Chief of the Division of Western European Affairs (Boal) of a Conversation Between the Secretary of State and the Yugoslav Minister (Pitamic)

[WASHINGTON,] June 23, 1931.

The Yugoslav Minister began by explaining that Yugoslavia had been faced with a reconstruction problem before any arrangements had been made for German payments. Therefore Yugoslavia had been obliged to do her reconstruction by means of private loans which she had gotten from Blair and Company. This was necessary because no Government loan such as the other Powers had been able to obtain were available to Yugoslavia.

The Minister also stated that there was also an internal loan the annuities of which amounted to $3,000,000 which had to be paid to private citizens in Yugoslavia. This the Yugoslav felt should be excepted from the arrangement President Hoover had proposed. The Yugoslav Minister went on to say that they would also expect to except from the plan the sums necessary from Germany's reparations to pay annuities for the loan used for reconstruction. Finally the Yugoslav Minister said that he thought reparations in kind should be excepted. He said that the Blair loan amounted to $15,000,000

principal and that the annuity for this would have to be continued by Germany. He said that after these exceptions there would, however, be a balance which could be suspended in favor of Germany. He said that if later it was desired that he do so he would ask for figures. The Secretary said it was not necessary for him to ask yet, that he would refer him to Mr. Mills [28] when the time for discussion of details came up. The Secretary said that he was only following the larger features of the plan at the moment and the details were in the hands of Mr. Mills. The Yugoslav Minister said that he thought the total amount of the German reparations to Yugoslavia was considerable and the Secretary referring to his chart said that it appeared to be 79,000,000 of Reichsmarks. The Secretary then telephoned to Mr. Mills and said that Mr. Mills stated that questions similar to that which the Yugoslav had raised had been raised by other nations such as Greece, Hungary, Rumania, et cetera. He said that it would be best to take up these details after the plan had been accepted by the larger nations. He said that there was an infinity of small questions and that the Treasury was working on material in connection with them but we would have to wait first to hear from the French, Italian and Belgians whether they accepted the plan and it could go on in operation. The Minister then came back to the acceptance which his Government had in mind. He pointed out that with respect to reparations in kind the bridges over the Danube which were being built as reparations for instance could hardly be stopped halfway completed. Neither the Yugoslavs nor the Germans would wish to do this. The Secretary made it clear that he was not sitting in judgment on such questions or on the attitude of Yugoslavia. He said all nations were in one family in this matter. Everyone's eyes were on his neighbor. If exceptions were made at this stage they would begin to breed other exceptions until finally no one would be making a sacrifice except the United States. If this came about even those who were now disposed to carry through the plan in full, such as Great Britain, would not find it possible to get their Parliaments to accept. The Yugoslav Minister emphasized that his Government's views were in no way opposed to the proposal. The Secretary then dictated the following to the Yugoslav Minister:

"We have not yet had a definite answer from France, Italy or Belgium. Until we have answers from them our offer is not yet accepted. When and if we have favorable answers it will be time to go to prompt countries like yours and take up the details. We note with very great pleasure that you approve of the plan and that you will wait for the approval of the others I have mentioned before taking up the details."

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[28] Ogden Mills, Under Secretary of the Treasury.

462.00R296/4623

Memorandum by the Assistant Secretary of State (Rogers) of a Conversation With the Yugoslav Minister (Pitamic)

[WASHINGTON,] July 13, 1931.

The Minister of Yugoslavia called and made an oral statement of their position in regard to the application of the debt suspension plan to them. He left the attached *Aide Mémoire*, but stated also roughly as follows:

His Government had instructed him to repeat to us the reservations on their acceptance which had been already made. He understood our idea was to transfer the settlement of these matters to the London Conference.[29] If this was the plan, he wanted it understood that they were facing a serious budget situation which would upset the progress made towards the stabilization of their currency unless some limitations were placed on the operations of the plan. He said they were unwilling to leave these to a London conference to which they had not been invited and where they would have no voice; that if this conference proposed a solution which was unsatisfactory to them, they would not consider themselves bound by it and would, if necessary, appeal to the Hague Tribunal on the ground that no settlement could be made without their consent. His attitude was friendly but intended to be firm.

I told the Minister our present plan was to ask that these problems should be settled in the spirit of the President's proposal by a European Conference in which they had a voice and would have an opportunity to participate; that so far the machinery there had not been set up but that we assumed that the proposed conference of the major powers would lead naturally after the settlement of their major difficulties to some appropriate machinery to hear the troubles of the Balkan States, including his own; that if that machinery did not, as we anticipated, evolve naturally in London with such encouragement as we could give to the idea through our representatives there, we would then have to determine what our next step would be towards arriving at a settlement. For the moment we were not discussing either the merits of their representations to us or in what direction we would turn if the London Conference failed to develop a proper vehicle for the settlement of these questions, but that in any case we had no thought that they ought to be settled without participation by them.

The Minister pressed the idea that they could not be settled without their consent, and I repeated that we had no thought of having them settled anywhere without an adequate opportunity for them to be

[29] See pp. 164 ff.

heard. I said we had given the same message to Greece and Bulgaria and we were planning to inform Mr. Gibson of the attitude taken by Yugoslavia and the other States who had similar problems, and ask him to promote an appropriate means for their settlement by a Committee of Experts or some other conference or tribunal.

J[AMES] G[RAFTON] R[OGERS]

[Annex] [30]

AIDE-MÉMOIRE

The British Government has called for the 17-th of this month a conference of financial experts to determine the definite modalities of the proposal of the President of the United States of America, to which the Yugoslav Government is not invited to send its representative. By the order of the Royal Government, the Royal Yugoslav Legation has the honor to inform the Department of State that the Yugoslav Government considers that, at this conference, only the rights and interests of those powers will be discussed among which a definite agreement has been reached on the proposal to postpone the payments. In any event, the Yugoslav Government considers it necessary formally to repeat the reservations which it has made, when the intention of the President of the United States of America to make the aforementioned proposal was communicated to it, and to declare that, for the Yugoslav Government, only those decisions will be binding which it will have been previously offered an opportunity to discuss and to which it will have given its consent.

WASHINGTON, July 13, 1931.

462.00R296/4906

The Yugoslav Minister (Pitamic) to the Acting Secretary of State

NOTE VERBALE

The Yugoslav Minister presents his compliments to the Acting Secretary of State and, by the order of his Government, begs to inform him that the Yugoslav Government regrets not to be able to sign, on the 11th of this month, the Report of the Committee of Experts [31] for the application of President Hoover's plan. The Yugoslav Government, not having been invited to participate in the work of the Committee, has made known its views to the Governments interested and has likewise explained in detail the consequences, upon the Yugoslav finances, of the application of President Hoover's plan.

[30] Filed separately under 462.00R296/4622.

[31] For text of this report, see Great Britain, Cmd. 3947, Misc. No. 19 (1931).

These consequences are of such a character that the simple acceptance of the plan would entirely upset the equilibrium of the Budget and bring into question the stability of the currency which has just been brought about at the cost of great effort.

The Yugoslav Government holds that such consequences are certainly not in the desire of the initiator of the plan. This is also placed on record in the Report of the Committee of Experts which acknowledged the weight of our arguments and which expressed the desire that the Central Banks should come, together with the International Bank, to aid in the maintenance of our financial stability.

The Yugoslav Government believes that its viewpoint has also been accepted in the Franco-American Agreement, which emphasized the necessity of furnishing credits to Yugoslavia during the period of the suspension of payments.

Accordingly the Yugoslav Government could not bind itself by this plan until it should be definitely assured that the afore-mentioned consequences have been averted.

WASHINGTON, August 10, 1931.

462.00R296/5080

The Minister in Yugoslavia (Prince) to the Acting Secretary of State

No. 1129 BELGRADE, August 21, 1931.
[Received September 5.]

SIR: Referring to the Legation's telegram No. 39 of August 22, 1931,[32] regarding King Alexander's request to me to send the message therein transmitted to President Hoover, I have the honor to report supplementarily, that the King spoke at length concerning the present difficult financial position of this country, and practically put himself in the position of a suppliant to our Government. Alexander, who has been touring southern Serbia and Bosnia intensively all through the great heats of July, shows the effects of his strenuous efforts and is now going to be at Bled for some time. He appeared nervous and anxious, especially about the financial difficulties, alluding particularly to the trouble his ministries are having in finding the money to pay the grain farmers. He also alluded to the high interest required by France for her stabilization loan and, in short, was more like a human being in distress than an autocratic king.

He said that he was aware that America, when it formulated "this great proposition" did not intend to injure his country, but that this state was most heavily afflicted by the loss of eight hundred and eighty-eight million dinars which would ensue during the coming

[32] *Infra.*

year, if the plan was applied here without consideration. He, therefore, literally begged us for our help without specifying just what that help should be. I felt it my duty to transmit at once his request through the Department to the President, which telegram was followed by the Legation's Telegram No. 40 of August 24, 1931,[38] expressing the similar hope of the new Finance Minister Mr. Djurić.

The consensus of the whole Legation is, that the statements made both by the King and Mr. Djurić are substantially correct and that the country will suffer very much, unless it can find the money to remedy the large deficit which will be made in this small budget by the proposed delay in the German payments to Yugoslavia, due in 1931–1932.

Respectfully yours, JOHN DYNELEY PRINCE

462.00R296/4997 : Telegram

The Minister in Yugoslavia (Prince) to the Acting Secretary of State

BELGRADE, August 22, 1931—11 a. m.
[Received August 22—10 : 50 a. m.]

39. [Paraphrase]. Yesterday in private audience King Alexander personally requested me to send the following message to President Hoover regarding the moratorium proposal: [End paraphrase].

"I ask President Hoover and his advisers to consider the lamentable situation in which Yugoslavia would be placed in view of her existing financial obligations if our country should lose 888,000,000 dinars during the coming year according to the terms of the moratorium. I therefore earnestly request President Hoover to do his utmost to help us in our present dilemma of which I can see no other solution."

PRINCE

462.00R296/5001 : Telegram

The Minister in Yugoslavia (Prince) to the Acting Secretary of State

BELGRADE, August 24, 1931—10 a. m.
[Received 10 : 20 a. m.]

40. Yugoslav Government disturbed over semi-official news from Washington to effect Hoover Plan will be applied Yugoslavia despite non-acceptance. Finance Ministry operating radical budget cuts every Ministry but states cannot possibly meet Hoover requirements in addition present abnormal burdens incident to recent currency stabilization and deficit incurred through aid guaranteed grain

[38] *Post*, p. 235.

farmers. Finance Minister expresses belief, hope Yugoslavia will receive aid this crisis essential to preservation currency and credit.

PRINCE

462.00R296/5001 : Telegram

The Acting Secretary of State to the Minister in Yugoslavia (Prince)

WASHINGTON, August 25, 1931—5 p. m.

16. Your 40 of August 24. There is absolutely no basis for semi-official reports that we are seeking to apply Hoover Plan to Yugoslavia despite its non-acceptance. The American Government has taken no steps to influence any of the interested parties.

While we do not wish to be in a position of advising Yugoslavia it would appear natural that the Yugoslav Government should endeavor to solve its difficulties through the B. I. S.

CASTLE

462.00R296/4997 : Telegram

The Acting Secretary of State to the Minister in Yugoslavia (Prince)

WASHINGTON, August 26, 1931—5 p. m.

17. Your 39, August 22, 11 a. m. You may if you consider it necessary inform the King that his message has been brought to the attention of the President and reaffirm at the same time the substance of the Department's No. 16, August 25, 5 p. m.

You will of course bear in mind during any conversations that you may have with the King that while this Government would welcome any satisfactory arrangement whereby Yugoslavia might see its way clear to participate in the debt suspension plan, the Department desires you scrupulously to refrain from giving any encouragement to the apparent impression of the Yugoslav authorities that a solution of this question is in any way incumbent upon this Government.

CASTLE

462.00R296/5093

Memorandum by the Chief of the Division of Near Eastern Affairs (Murray) of a Conversation Between the Secretary of State and the Yugoslav Minister (Pitamic)

[WASHINGTON,] September 10, 1931.

The Yugoslav Minister called today, by appointment, on the Secretary to deliver a note dated September 10, 1931,[34] and to explain

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[34] *Infra.*

orally the Yugoslav Government's position with respect to the Protocol signed at London on August 11 [35] for the purpose of giving effect to President Hoover's debt suspension proposal.

Dr. Pitamic stated that his Government had not found it possible to sign the Protocol in view of the serious economic and financial sacrifices which the President's proposal entailed for Yugoslavia. These sacrifices, he said, were greater in proportion than those which any other country had been asked to make. Therefore unless the means could be found to accord Yugoslavia the necessary assistance in her present emergency the Yugoslav Government was determined to safeguard its contractual rights by every available means. By way of interpretation of this latter statement, the Minister said his Government would take steps not only to secure its share of German reparations payment but would endeavor to prevent the B. I. S. from disposing of any of the funds paid in by Germany under the London Protocol and intended for transfer to the German railroads, and even from disbursing the payments in respect of Young Plan bonds.

At this point in the conversation the Secretary interrupted the Minister and inquired whether he was to understand that the Yugoslav Government intended not only to get its share of German payments but to deny to other Powers signatory to the London Protocol the right to release Germany from her obligations to those Powers. The Minister answered in the affirmative. The Secretary said he was loath to believe that the Yugoslav authorities really wished to convey to him the information that unless their demands were met they intended to try to pull the house down on their own heads or on the heads of all Europe. Did the Minister think that Yugoslavia would profit by European chaos and anarchy? The Minister had no answer.

The Secretary then reminded the Minister that in the absence of the President's proposal, Germany would certainly have invoked her right under the Young Plan to a two-year suspension of her conditional payments which would have meant a heavy loss to Yugoslavia (exact figure: $17,483,000); and that if Germany had collapsed both conditional and unconditional payments to Yugoslavia would have ceased (exact figure: $18,776,200).

Continuing, Mr. Stimson reminded Dr. Pitamic that while the President had felt that the debt suspension proposal might properly be made by this Government, since we are making the greatest financial sacrifice, we nevertheless do not and cannot assume the responsibility of seeing that the demands of every interested country are met to its satisfaction. Having made sacrifices ourselves we feel justified

[35] Great Britain, Cmd. 3947, Misc. No. 19 (1931), p. 9.

in expecting that others do the same for the common good. We should of course be glad if private bankers were prepared to give Yugoslavia whatever financial aid she may request, but we cannot force the bankers to do so and the Government itself cannot of course engage in such operations.

In concluding the Secretary said he would have the suggestions contained in the present note of the Yugoslav Government studied and that he would reply to it as soon as possible.

WALLACE MURRAY

462.00R296/5116

The Yugoslav Minister (Pitamic) to the Secretary of State

No. 541 WASHINGTON, September 10, 1931.

SIR: The Protocol of the London Conference of experts for the execution of the proposal of the President of the United States, does not contain any solution of the difficulties which Yugoslavia would encounter if the resolutions of the Conference should be put into operation.

The Protocol, while acknowledging the weight of the arguments of the Royal Government, declares that the Conference is of opinion that the demand for this solution exceeds the limits which were fixed for the Conference. The Yugoslav Government could not adhere to this Protocol and will be forced to take further steps in order to safeguard its contractual rights, in view of the fact that the Yugoslav Treasury, should the resolutions of the experts be carried out, would be placed in a situation such as would give rise to the most serious economic and financial consequences.

In view of the seriousness of these steps the Royal Government, in spite of its difficult situation, has so far abstained from any action until an attempt has once more been made to find a solution such as would enable Yugoslavia to adhere to the London Protocol. The Royal Government, itself desirous to contribute to the realization of such an important international action, takes into consideration only what it absolutely needs to avoid the unsurmountable difficulties of the Treasury. Leaving aside the deliveries in kind, for which it can be seen later if any arrangement whatsoever is possible, the Yugoslav Government is willing to agree, according to the London Protocol, to a delay in the payments due to it by Germany, provided either that it receives (*escompte*) the difference between the sums to which it is entitled and the annuities of the debts which it owes the United States, Great Britain and France, or that it be allowed a corresponding money credit for the time of the suspension of these payments.

By order of my Government I have the honor to submit what is stated above to the Government of the United States as a formal offer of the Yugoslav Government.

Please accept [etc.] LEONIDE PITAMIC

462.00R296/5116

The Secretary of State to the Yugoslav Minister (Pitamic)

WASHINGTON, September 21, 1931.

SIR: I have the honor to refer to the Note which you handed me on September 10, 1931, and to our conversation of that day concerning the position of your Government with respect to the Protocol signed at London on August 11, 1931, and designed to give effect to the President's proposal for the suspension of intergovernmental debts for one year from July 1, 1931.

I have noted with satisfaction your statement that the Government of Yugoslavia "is desirous of contributing to the realization of such an important international action" and I can assure you that this Government would welcome any satisfactory arrangement, within the spirit of the President's proposal, whereby your Government might see its way clear to participate in the debt suspension plan.

However, as I pointed out to you during our conversation on September 10, while the President of the United States made the initial proposal for a debt suspension in the interest of all, this Government feels that it cannot undertake to deal with the difficulties that may now lie in the way of any Government desirous of participating in the debt suspension arrangement.

It seems unnecessary to reiterate that at the time the President's proposal was made the financial crisis was so acute that the creditors of Germany on reparations account would in any event have been called upon to sustain heavy losses of anticipated revenues. It is only natural therefore that the operation of the present plan entails the possibility of sacrifices on the part of the participating creditor Governments. In such sacrifices the United States itself has assumed an important share.

I may add in conclusion that while this Government is of course not in a position to suggest any particular solution of the difficulties now facing the Government of Yugoslavia, your Government is doubtless aware of the remarks made in this connection by the London Committee of Experts in their Report of August 11, 1931.

Accept [etc.] HENRY L. STIMSON

V. Congressional Approval of the Moratorium

462.00R296/5376

The Under Secretary of State (Castle) to the Secretary of State

[WASHINGTON,] December 16, 1931.

MR. SECRETARY: The Italian, British and Polish Ambassadors, the Lithuanian and Finnish Ministers came to ask me quite informally as to the attitude of this Government with regard to payment of the amount due on their respective debts on December 15th. They stated that they had come on their own responsibility. To all of them I explained that, in accordance with the memorandum which Mr. Mills read to the Senate Committee,[36] neither the President nor any executive department could change the legal status of debts, but owing to the special circumstances connected with the President's proposal for a year's moratorium on inter-governmental debts, and the fact that legislation legalizing this had been submitted to Congress, we felt that, if they did not make the December 15th payment, they would not be subject to just criticism.

W. R. CASTLE, JR.

462.00R296/5381

The Secretary of State to the Chairman of the Ways and Means Committee of the House of Representatives (Collier)

WASHINGTON, December 16, 1931.

MY DEAR MR. CHAIRMAN: You have invited me to appear before your Committee in relation to your consideration of the Joint Resolution to authorize the postponement of the amounts payable to the United States from Foreign Governments during the fiscal year 1931–1932.[37] For the purpose of crystallizing my account of a series of complex events and conditions, I have prepared this letter. It gives as concisely as possible the history of the transaction so far as I am acquainted with it.

The immediate purpose of President Hoover's proposition for a debt suspension of one year was to relieve the financial panic which was in progress in Germany. That panic threatened to spread to the business centers of Europe and this country and bring about a financial crisis of worldwide dimensions. To convey the situation, I must pref-

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[36] See *Postponement of Intergovernmental Debts:* Hearings Before the Committee on Finance, United States Senate, 72d Cong., 1st sess., on H. J. Res. 147 (Washington, Government Printing Office, 1931), p. 2.

[37] See *Moratorium on Foreign Debts:* Hearings Before the Committee on Ways and Means, House of Representatives, 72d Cong., 1st sess., on H. J. Res. 123 (Washington, Government Printing Office, 1931).

ace my statement with a brief analysis of the circumstances in Germany which made such a crisis possible.

Germany's Relation to World Finance and Economy

During the five years prior to the economic depression in 1929, Germany had been making a remarkable recovery following the ravages of the Great War, and the financial cataclysm which, overtaking her in 1923, led to the collapse and disappearance of the old mark currency. The Dawes Plan, which went into effect in 1924, had helped her to reform her finances, to stabilize her currency, and to emerge from this collapse. Her people were intelligent and hard-working, and were animated by an intense desire to regain the industrial prosperity which had been lost. With the aid of these factors she succeeded during the five years beginning in 1924 and closing with 1928 in rebuilding her industries and reviving her foreign trade. Her national production increased forty per cent and her exports nearly doubled.

This rehabilitation of Germany had in the absence of resources of her own, been based in large part on borrowed money. The strain of the war, the destruction of values during the post-war period of inflation, and the penalties visited upon her as a consequence of the war, had all united to leave her without sufficient capital of her own. So she had borrowed money in large volume and from many sources all over the world. As her credit was necessarily untried, she had secured much of this capital only in the form of short term loans and therefore under terms which made it easily subject to withdrawal. Thus when the great economic depression of 1929 began, it found Germany in a vulnerable condition. In the first place her prosperity was still precarious and was peculiarly dependent upon the stability of her credit. In the second place, inasmuch as her industries were capitalized upon money which came from all over the world, her condition was linked in a very serious degree to the financial markets of many other countries. Foreigners, including many Americans in many parts of the United States, held a great many bonds issued by German industries and public authorities. Foreign banks had made large advances to German accounts. High interest rates had attracted into Germany liquid deposits from all over the world.

Germany's condition was also sensitive because she was to a peculiar degree dependent upon foreign trade. She was under an obligation to pay yearly sums approximating four hundred millions of dollars in reparations to the various Allied Governments of Europe; and the only means by which she could make these payments was to sell goods, render services abroad, or borrow further loans. Furthermore, for the service of the great debt to private

creditors which she had incurred abroad, as above mentioned, she was dependent upon acquiring foreign funds in the same way to pay her interest.

For all these reasons the situation in Germany was sensitive and vulnerable. She was also in a financial sense a central spot of liability to a large part of the world. Financial disaster to her might spread to and drag down many other countries. On the other hand, her history had shown that if she could be steadied through this pending crisis, the character of her population, their technical skill, and their industry, promised a healthy and successful future. Passing circumstances were creating a critical condition, but Germany herself was a good risk.

In her position in the center of Europe, Germany in good health would be a bulwark of strength against instability and communism, while if she were allowed to fall the disaster would not be confined to her, but would certainly involve other nations and would greatly affect the financial systems of all of the principal nations of the world, including our own.

Effect of the Economic Depression on Germany

The effect of the two years of economic depression prior to June last had been particularly hard on Germany. The fall of commodity prices had dealt a blow to her industry; unemployment among her laboring classes had grown to exceed one-fourth of their total numbers; and the increasing burden of taxation which her government was placing upon her population had reached the self-defeating point where additional taxes could produce little additional yield. Furthermore, she had reached a point where it was difficult to cut down her expenses any further without creating dangerous social discontent. The foregoing, in a few words, represented the general situation of Germany at the time when information reached this Administration showing that her financial condition was becoming extremely critical and that a bank panic on an international scale was actually under way.

Events of the Immediate Crisis

In May 1931 the Department of State received, through its diplomatic channels and also through the Federal Reserve System of this country, news of a serious financial crisis which was taking place in Austria and which threatened not only the solvency of the principal banks of that country but of the Government itself. This situation became so serious in Austria that on May 30 the representatives of the important central banks of the various European countries felt compelled to enter into an agreement to place at the disposal of the Austrian National Bank a revolving credit of one

hundred million Austrian schillings (about $14,000,000) to endeavor to check the runs which were being made upon her financial institutions. This trouble in Austria seriously alarmed foreign creditors all over the world. They were already nervous after the long shrinkage of values resulting from the economic depression and they now saw themselves threatened with additional losses in a country which was in the same neighborhood as Germany.

By June 1st the State Department learned that foreign balances in Germany were undergoing heavy withdrawals. On June 5th, in an attempt to meet this situation, the German Government issued a drastic emergency decree cutting down Government expenditures, including salaries of Government employees, allowances to war veterans, social welfare measures and contributions to labor insurance and making a very stringent reduction of other Government expenses. On the other hand, it imposed new and heavy taxes. With this decree the German Government issued a manifesto [38] which was intended to brace the German people for this new effort at retrenchment and in this appeal they alluded to the critical effect upon Germany of the economic crisis, the efforts which previously had been made to reduce expenditures and the imperious necessity of drafting the last forces in reserve from all sections of the German population to endeavor to meet the emergency.

While this manifesto was successful in its purpose of supporting the Government in imposing these new and drastic revenue proposals it had the effect of further alarming the foreign creditors of Germany. Withdrawals of German gold from the Reichsbank increased rapidly in volume.

By June 13th the Federal Reserve officers reported to me that the financial and monetary positions of Austria, Hungary, and Germany had become very much worse during the past two weeks and especially during the past two days; that foreign withdrawals from these countries, particularly Germany, had proceeded with increased momentum and that Germany appeared to be approaching a financial crisis in addition to her social and political difficulties. These sources reported that during those past two weeks, the German Reichsbank had lost at least $107,000,000 of its gold, most of which had been paid out in the last three or four days, and that these computations did not include losses of foreign exchange holdings which had been very considerable. It reported orders for further gold which would increase this volume of withdrawals during the coming week and that the situation in Austria and Hungary had also developed so critically that the central banks of those countries were required to find immediately new large credits in order to meet their obligations.

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[38] See telegram No. 70, June 8, 9 a. m., from the Chargé in Germany, p. 9.

During the following week the volume of German withdrawals steadily increased. On June 16, Federal Reserve authorities reported that the withdrawals of gold from the Reichsbank amounted to $130,000,000, and that in addition to this, the bank had lost $100,000,000 in foreign exchange. This drain was so extensive that in not more than two weeks the gold and other reserves of the Reichsbank had been brought down practically to the legal minimum, after which no choice would remain except to forbid all further financing to German banks and industries. The Reichsbank is the great central bank of Germany somewhat similar in function to our Federal Reserve System. Its condition threatened German industry with paralysis. Its difficulties were the difficulties not only of Germany but of the whole financial world.

If German trade failed, further drops in the world prices of raw materials and foodstuffs—such as cotton, copper, wheat, and oil—were almost certain to occur. If German industry and the German public authorities became unable to meet their bond interest, all holders of their securities would suffer. If disorder followed in Germany, a general default on all her obligations might be the consequence. All of this in turn would lessen the capacity of our debtors to pay their debts and impair our foreign trade in all its branches. With this comprehensive view of the situation before our Government, it was a time for immediate action.

I may add that the information on Germany's condition which I have summarized above as coming through the Federal Reserve sources, was corroborated by information which I received through diplomatic channels from our representatives in Austria, Germany, Great Britain, France, and Italy. Furthermore, during the two weeks preceding June 20, the President, the Under Secretary of the Treasury and I, received the benefit of consultation and advice from men in this country most competent to advise on the German situation. These included not only S. Parker Gilbert, the former Agent General of Reparations, who for five years had lived in Germany and had been thoroughly familiar with her industrial and financial situation, but Owen D. Young, the Chairman of the Board of Experts which had investigated the German financial condition in 1929. The opinions of all of these men and the information derived from all of these sources coincided in their view of the emergency situation. The condition of Germany was comprehensively summarized in a letter of the President of that country, Marshal Von Hindenburg, a copy of which I submit with this statement.[39]

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[39] See telegram No. 87, June 20, 12 p. m., from the Ambassador in Germany, p. 36.

The President's Proposal

This was the situation to which President Hoover's proposal for a general suspension of intergovernmental debts was addressed. His primary purpose was to stop a financial collapse in Germany, accompanied by a panic which was spreading to other countries and threatening to become worldwide. The essence of his suggestion was to do what a wise creditor normally does under such a situation and to provide for the giving of time for recuperation to the debtors. While the amounts involved in the suspension of intergovernmental debt payments for one year were small in comparison with the immense burden of debts, private and public, under which the world was staggering, yet the relief given by the President's proposal would very materially relieve the pressure at one of the world's weakest spots, and psychologically such action would have an enormous effect. The mere putting of hope and courage into a population of sixty million people, located in the heart of Europe, would of itself be a great and immediate contribution to the restoration of confidence.

The diagnosis of the President proved to be correct. The announcement of his proposal was made on Saturday June 20.[40] The withdrawal of gold from the Reichsbank, which had been going on uninterruptedly until Saturday afternoon, was checked and substantially stopped on Monday morning. The matured view of all of the best advisers we could reach during the preceding week had indicated that unless the panic and the withdrawals were stopped the financial structure of Germany would collapse within a matter of a few days. The result of the proposal, together with the stabilization of Germany's private short term credits which followed the Seven Power Conference at London in July,[41] has been sufficient to hold the situation substantially intact until today.

The response of popular and official approval accorded to the President's proposal has been most impressive. The project required sacrifices from not only our own people but also on the part of many other nations. In spite of the complicated adjustments required in the national budgets of numerous countries and the consequent burdens, the proposal was generally treated as an example of sound and constructive economic leadership. The President's announcement already before the Committee lists the names of a large number of Senators, Congressmen, and other American leaders who expressed their approval readily within the limited time afforded for consultation.

[40] For text, see telegram No. 262, June 20, 8 p. m., to the Ambassador in France, p. 33.

[41] See pp. 250 ff.

The following nations which are debtors of the United States have accepted the moratorium proposal: Austria, Belgium, Czechoslovakia, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Italy, Latvia, Lithuania, Poland and Rumania.

The following countries, which had no governmental debt relations with the United States, have also accepted the proposal: Australia, Bulgaria, Canada, India, Japan, New Zealand, Portugal and South Africa.

The following countries which are the holders of governmental indebtedness arising from relief measures after the War also accorded their approval: Denmark, The Netherlands, Norway, Sweden and Switzerland.

Yugoslavia is the only one of the Governments indebted directly to the United States which has not expressed its acceptance of the proposal although it is understood that it is in fact receiving no payments from its debtors.

The President's proposal was expressly made subject to the confirmation of Congress and your appropriate action is necessary to authorize the agreements putting it into force.

Sincerely yours, HENRY L. STIMSON

462.00R296/5360 : Telegram

The Ambassador in France (Edge) to the Secretary of State

PARIS, December 17, 1931—4 p. m.
[Received December 17—2:20 p. m.[42]]

897. Press reaction to the opposition in Congress to President Hoover's moratorium proposal reflects surprise and some bitterness. This opposition in itself appears to cause no marked uneasiness as to eventual ratification but it has had the effect of materially lessening hopes of a reduction in interallied war debts.

A particularly aggressive editorial in the *Temps* of December 14 reflects the position taken by majority of press and is to the following effect:

In view of the conditions under which the Hoover moratorium was agreed to the resistance of the Senate and Congress is a shock. The abrupt initiative of President Hoover placed the other interested powers under a monumental obligation to accept his proposal. If objections of Congress prevail, the result would be to oblige debtors of the United States to pay, whereas these debtors would be deprived of German payments because of the initiative taken by President Hoover. Failure to ratify would entail the loss of the political authority of the United States in world affairs.

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[42] Telegram in three sections.

If reparations are not paid it will be impossible to meet debts contracted during the war for the common cause. As a matter of fact it is between Germany and the United States that the problem arises and if the Germans desire to be relieved of their reparation charges they must apply to the United States where they have so often found support and credits.

With respect to recent reported statements made by Bruening at Berlin and by Von Krosigk[43] at Basel that no further reparations can be made, attention is being directed by the press to the possibility of France recovering "full liberty of action" under the provisions of annex 1 of the Hague agreement with Germany[44] in the event of actions revealing determination to destroy the Young Plan. Stephane Lausanne significantly states in the *Matin* that if Germany pays anything to the bankers and refuses to pay reparation creditors measures of coercion might result.

The reported intention of the United States Government to possibly consider an adjustment of interallied debts based on capacity to pay has considerably disturbed the French Government according to Marco Pays writing in *Excelsior* of December 15. This decision, writes Pays, is the result of superficial appreciation of the French and British situations.

"The tendency evident in the United States to recover from France, prudent, well ordered, and saving the loss of American credits on Great Britain, is more than disturbing," and the American theory of capacity to pay is considered in French official circles as "unjust and dangerous". The Nationalist *Figaro* repeats this contention and adds that if the United States follows such a theory "it would commit the greatest injustice in history".

The financial press understands that Great Britain might renounce the stipulations of the Balfour note[45] (namely, that Great Britain would only expect Germany to pay reparations and other countries to pay war debts to the extent to which Great Britain is obligated to pay war debts) and that in the event that the United States reduces the war debts of Great Britain the latter would withhold any corresponding benefit from her debtors. Should no reduction be made it is reported that Great Britain intends to request her debtors and particularly France to revise upwards schedule of payments laid down in previous agreements.

EDGE

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[43] Count von Krosigk, Director of the Budget Department of the German Ministry of Finance.

[44] Great Britain, Cmd. 3484, Misc. No. 4 (1930): *Agreements Concluded at the Hague Conference, January 1930*, p. 28.

[45] *Foreign Relations*, 1922, vol. I, p. 406.

462.00R296/5390½

Public Resolution No. 5 (H. J. Res. 147), 72d Congress, 1st Session, Approved December 23, 1931

Joint Resolution To authorize the postponement of amounts payable to the United States from foreign governments during the fiscal year 1932, and their repayment over a ten-year period beginning July 1, 1933.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That in the case of each of the following countries: Austria, Belgium, Czechoslovakia, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Rumania, and Yugoslavia, the Secretary of the Treasury, with the approval of the President, is authorized to make, on behalf of the United States, an agreement with the government of such country to postpone the payment of any amount payable during the fiscal year beginning July 1, 1931, by such country to the United States in respect of its bonded indebtedness to the United States, except that in the case of Germany the agreement shall relate only to amounts payable by Germany to the United States during such fiscal year in respect of the costs of the Army of Occupation.

SEC. 2. Each such agreement on behalf of the United States shall provide for the payment of the postponed amounts, with interest at the rate of 4 per centum per annum beginning July 1, 1933, in ten equal annuities, the first to be paid during the fiscal year beginning July 1, 1933, and one during each of the nine fiscal years following, each annuity to be payable in one or more installments.

SEC. 3. No such agreement shall be made with the government of any country unless it appears to the satisfaction of the President that such government has made, or has given satisfactory assurances of willingness and readiness to make, with the government of each of the other countries indebted to such country in respect of war, relief, or reparation debts, an agreement in respect of such debt substantially similar to the agreement authorized by this joint resolution to be made with the government of such creditor country on behalf of the United States.

SEC. 4. Each agreement authorized by this joint resolution shall be made so that payments of annuities under such agreement shall, unless otherwise provided in the agreement (1) be in accordance with the provisions contained in the agreement made with the government of such country under which the payment to be postponed is payable, and (2) be subject to the same terms and conditions as payments under such original agreement.

SEC. 5. It is hereby expressly declared to be against the policy of Congress that any of the indebtedness of foreign countries to the

United States should be in any manner canceled or reduced; and nothing in this joint resolution shall be construed as indicating a contrary policy, or as implying that favorable consideration will be given at any time to a change in the policy hereby declared.

Approved, December 23, 1931.

462.00R296/5380

Memorandum by the Under Secretary of State (Castle) of a Conversation With the German Ambassador (Von Prittwitz)

[WASHINGTON,] December 23, 1931.

The German Ambassador was looking rather sad because, as he said, he feels that the reservation made by Congress [46] on the moratorium will have a very bad psychological effect in Europe. I pointed out that the fact the moratorium had been passed might have, on the other hand, a good psychological effect and to this he agreed. He said that he felt the future depended on the result of the Government Conference to follow the meeting of the Committee of Experts.[47] He was afraid that the reservation made by Congress would make France very much stronger in opposing generous treatment of Germany. I pointed out to him that just preceding the elections was a very poor time to expect any nation to be particularly generous and to this he agreed. He feels, however, that, unless this Government Conference is successful, there will be little hope of any success in the Disarmament Conference and little hope of an upward trend in the economic situation.

The Ambassador asked me who our observer would be at this conference and I said I not only had no idea, but had no reason to think we would have any observer.

W. R. CASTLE, JR.

462.00R296/5390

Memorandum by the Secretary of State of a Conversation With the British Ambassador (Lindsay)

[WASHINGTON,] December 24, 1931.

The British Ambassador came to discuss the moratorium in connection with the rider added to the ratification by the Congress. I told the Ambassador that what has taken place in Congress simply indicates the difficulties which any American President faces when he goes into foreign affairs; it is evidently surprising to many people

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[46] Sec. 5 of Public Res. No. 5, *supra*.

[47] See pp. 164 ff.

in Europe, but it is not surprising to us and we anticipated it—that we think we got along as well as we could possibly expect. I reminded him of the President's point of view expressed in the joint communiqué with Laval [48] and at other times, to the effect that the initiative must come from Europe and that we can only move after Germany's capacity to pay has been taken up and settled by the Basle Committee and by the nations which meet to decide how the sacrifice in respect to Germany is to be distributed.

The Ambassador then said, "But this means that you cannot make any further step until the world has gone bankrupt." I said, "Perhaps not, but I hope that it is not quite so bad." I pointed out that there were a number of steps to be taken first like the investigation and report on the condition of Germany and her general situation which could be rendered impartially without exciting suspicions of ulterior motives on the part of our Congressmen, and yet without Europe going bankrupt. After a further little discussion about the difficulties of moving public opinion in such a large and diverse country as the United States, in which the Ambassador fully agreed, we separated.

H[ENRY] L. S[TIMSON]

VI. Participation of the United States in Efforts To Halt the Withdrawals of Short-Term Credits From Germany

462.00R296/4398 : Telegram

The Acting Secretary of State to the Ambassador in Germany (Sackett)

[Paraphrase]

WASHINGTON, July 11, 1931—6 p. m.

120. I have taken up your telegram No. 121 of July 11, 2 a. m.[49] with Governor Harrison of the Federal Reserve Bank of New York and also with President Hoover. We are fully aware of the critical situation in Germany, but it ought to be realized in return by the Germans that the financial situation in this country is by no means easy, and that the claims of bankruptcy from Germany that are combined with continued appeals for aid make any assistance from here more difficult. The suggestion has been made here that if the Reichsbank, backed by a guarantee from German industry, would urge German citizens as a patriotic move to place all their foreign credits in the Reichsbank on promise that they would receive repayment in

[48] Vol. II, p. 252.
[49] Not printed.

the same currency after 6 months or some such stipulated period, the Reichsbank might in this manner receive a large volume of foreign exchange. Public opinion would certainly be stirred against the flight of capital by such a patriotic appeal. A great deal of the difficulty which now exists is without doubt a result of the fact that 2 weeks ago the German Government failed to effect drastic restriction of credit. Harrison feels that this should be done at once and has probably given that opinion to Luther.[50] It is now so late that it is probable that the evil cannot be remedied by such steps, but if this action is combined with the above appeal it would at least demonstrate to the Central Banks that the Germans are sincerely trying to help themselves. Political concessions are certainly many times more difficult as a result of Luther's trip,[51] which was apparently ill-advised, than they would have been if they had been made spontaneously after the President's proposal was announced. The French deny that they suggested any political conditions to Luther. Even if they did he was not wise to make the fact known. If you consider it wise you may of course give the German Government in an informal way the suggestions set forth in the early part of this telegram. Any further message before tomorrow night will be telephoned to me here at the President's camp.

CASTLE

462.00R296/4437 : Telegram

The Ambassador in Germany (Sackett) to the Acting Secretary of State

[Paraphrase]

BERLIN, July 12, 1931—9 p. m.
[Received 9:25 p. m.[52]]

123. Reference is made to your telegram No. 120, July 11, 6 p. m. Shortly after 4 a. m. on Sunday decoding of this message was completed. I tried to telephone you at once for two reasons:

(1) To let you know that in my opinion the proposed appeal to patriotic motives is bound to fail since it would be addressed principally to a class of international financiers notorious for their lack of patriotism (you of course recognize that the entire financial structure of Germany is controlled by this group.)

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[50] Dr. Hans Luther, President of the Reichsbank.

[51] On July 9 and 10 Dr. Luther visited London and Paris and presented the critical financial situation of Germany to the Governors of the Banks of England and France.

[52] Telegram in five sections.

(2) To secure if possible, solely for my own background, information as to whether it is still possible that some last minute help might be forthcoming from our own Federal Reserve system.

I believe it desirable to take up these two points with the Department before urging the German Government to consider the suggestions contained in your telegram mentioned above. I was unable to reach you by telephone, however, because of the poor connections. Therefore at 6:30 a. m. I presented the suggestions to the German Government. Von Bülow [53] has just been here and he told me that they were discussed by the German Cabinet in the early hours of this morning and that the purpose of them was fully comprehended.

The Cabinet evidenced the following reactions to these suggestions:

(1) Concerning the idea of a patriotic appeal for the depositing of foreign currencies in the Reichsbank, the bad aspects of such a proposal would greatly outweigh its good features because the Reichsbank has definite figures which indicate that there is very little foreign currency now in the hands of the public. An appeal of this character would be effective only with the class of people who would hurry to deposit very small sums of foreign currency. It would be difficult to institute the mechanics of the system. And finally, a general panic would be very likely to develop, a panic which the Cabinet is afraid could not be controlled.

(2) Concerning the credit restriction, I am informed that rigid credit restrictions have been in effect for about 10 days. When they were first inaugurated Montagu Norman, Governor of the Bank of England, intervened and advised that such restrictions would be contrary to the spirit of the Hoover moratorium proposal.[54] Luther felt that Norman's position was not strong and although certain concessions were made by the Reichsbank toward Norman's viewpoints, genuine credit restriction has continued.

Extended Cabinet sessions were held late into last night and continued again this morning. Highest officials of all the large Berlin banks were present at these meetings much of the time. There are now in session separate meetings of the Cabinet and of the bankers. Later on I shall be advised of the Cabinet's action in the present meeting. I am sending now, in order that I may avoid keeping the clerical staff all night once again, the various proposals which are under consideration in the Cabinet, none of which is final. The hope of the German Government is, according to information from Von Bülow, that any action taken will aid in creating an impression

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[53] Under Secretary of State in the German Ministry for Foreign Affairs.

[54] For text of the proposal, see telegram No. 262, June 20, 8 p. m., to the Ambassador in France, p. 33.

abroad comparable to the one contemplated by the suggestions of your telegram No. 120. These proposals are:

(1) It is probable that the Stock Exchange will be closed for the next day or two.

(2) Efforts are being made to bring to Berlin the meeting of the Bank for International Settlements which is scheduled for tomorrow. Luther cannot leave the Reichsbank to go to Basel, and a special train has already been arranged to bring the members to Berlin. However, the B. I. S. has not accepted this proposal and the French are expected to object.

(3) An emergency law may be passed covering the handling of foreign currency and restricting its sale to a few places. In each application the closest examination would be made into the proposed use of the foreign currency. This would have the object of preventing foreign currency from being acquired except for the most urgent demands of international finance.

In the latter connection strict methods are being studied to prevent the sale in Germany of foreign currency which comes in across the frontiers, and in addition some way of halting the export by private persons of German currency for the purpose of purchasing foreign currency abroad.

(4) A proclamation may be issued by the German Government giving details of the present crucial situation and urging the public to aid to the utmost and to remain calm.

(5) The bank holiday proposal which had been suggested in some quarters will probably be abandoned as too dangerous a plan in the present circumstances.

Von Bülow stated to me further that the Dresdner and Darmstädter Banks will close tomorrow morning for lack of sufficient capital to carry on. The ultimate plan is to carry out liquidation of these banks by the German system which is similar to our method of receivership. The bankers and the Cabinet feel that these banks will pay 100 percent on liquidation. Their plan is that small sums of money shall be slowly issued to the very great number of small depositors so as to keep them going, and that priority in the use of bank assets will be given to the payment of foreign obligations. A scheme is now being sought through which the remaining large banking houses of Berlin which are thoroughly sound so far can be kept from the effects of the closing of these two banks.

Von Bülow also said that not more than one-seventh of the withdrawals of the last week can be traced to capital entitled to protection from Germany. The Reichsbank has secured very comprehensive figures on this subject for its own information and for the use of the

Cabinet as a basis for considering regulations that would prevent such movement.

Von Bülow informed me most confidentially that the present Government cannot, nor will it, declare a general moratorium. If such a step becomes unavoidable Chancellor Bruening and several of the members of the Cabinet believe that a newly constituted Government of the extreme Right could take the action in such a way that the situation would be quieter and less bloodshed would result.

It is my opinion that if the Bruening Government declared a general moratorium its fall would be sure to follow.

Tonight the atmosphere of Berlin seems charged with excitement.

I am appreciative of the spirit which inspires your telegram to which I refer above. I have always insisted that it was highly imperative that Germany give far greater evidence of attempting to help herself. It is not my view that the measures set forth above as explained to me by Von Bülow, and so far as I understand them at this point, are adequate to meet the situation.

SACKETT

462.00R296/4436 : Telegram

The Consul at Basel (Cochran) to the Acting Secretary of State

BASEL, July 12, 1931—10 p. m.
[Received July 12—9 : 51 p. m.]

Preliminary informal meeting of the leading B. I. S. Directors was held this evening. Luther could not leave Berlin and was represented by his alternate. Reichsbank cover last night was 20 percent based on bank's own funds. Borrowed credit resources raise it another 16 percent. B. I. S., Bank of England and Bank of France willing to extend along with Federal Reserve their joint credit which expires on 16th. Neither Bank of England nor Bank of France willing to grant new or enlarged credit, feeling that the matter is no longer one between Central Banks but a political question for governments. Unless unexpected development comes within 48 hours Germans fear general moratorium, at least on private obligations, will be necessary. B. I. S. fears that this would be followed by similar moratorium in Austria, Hungary, Rumania and Jugoslavia.

COCHRAN

462.00R296/4459 : Telegram

The Consul at Basel (Cochran) to the Acting Secretary of State

BASEL, July 13, 1931—12 p.m.
[Received July 14—2 : 15 a. m.]

Meeting [55] having definitively terminated, following communiqué was given out:

"The Directors took notice of the statement presented by Luther on the situation in Germany and on the satisfactory character of her economic and budget position in spite of the crisis brought about by the withdrawals of short-term capital from Germany. The German Government having approached the various governments with a view to obtaining financial assistance on their respective markets, the Board, being convinced of the necessity for such assistance under present circumstances, declares that it is prepared to collaborate therein and to strengthen the American assistance by all means at the disposal of the Central Banks. In the meantime the Board authorized the President in agreements with the other institutions concerned to renew its participation in the rediscount credit previously accorded to the Reichsbank."

To summarize:

1st. Directors threw back on treasuries the question of approving the French proposition regarding guarantee fund but with the statement, obviously for the benefit of the Hoover plan and the French position, that they favored it as trustee.

2d. The 100 million dollar credit is being extended for 90 days. Norman wanted this to be for only 15 days and he cannot definitively approve joint agreement until he confers tomorrow at London but the B. I. S. counts on assent.

3d. The Central bankers feel that the difficulties of Germany are now beyond them and must be handled by governments. They are willing to assist further if other measures independent of these succeed but they hold out no promises on this point. The French political objections are understood. Bank of England actually has not enough foreign exchange to permit it to go any further and the British talked today in favor of letting circumstances force a complete revision of existing agreements even including Versailles Treaty.

4th. The question of extending assistance through the B. I. S. to countries such as Jugoslavia that would make sacrifices under the Hoover plan did not come up. This matter was really set up by the French to strengthen themselves in the favor of their Eastern European friends and but little is expected to come of it soon.

The belief is that general moratorium in Germany is imminent.

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[55] i. e., of the Directors of the Bank for International Settlements.

National Bank of Hungary today asked the B. I. S. for 400,000 pounds since the Central Bank tonight holds only 15,000 pounds. B. I. S. refused and unofficially advised it to follow Germany's plan of declaring a holiday of at least 2 days to see what can be done. B. I. S. cannot help further.

Bank of Danzig also requested today 5,000,000 gulden and was refused.

COCHRAN

462.00R296/4488a : Telegram

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

[Paraphrase]

WASHINGTON, July 14, 1931—1 p. m.

354. For Mr. Stimson. It is our opinion here that it would be not only unwise, but actually dangerous, for you to go on to Germany just now.[56] There is a tendency to burden us with the responsibility of maintaining German credit. We cannot assume this responsibility. If you should go to Berlin now it would be interpreted as evidence that the United States will assume the leading role in providing Germany with whatever relief may be needed. The Federal Reserve Board is completely unwilling to do this, although American banking institutions would undoubtedly give sympathetic consideration to any well-reasoned scheme drawn up by the Central Banks of European countries. No plan of this nature was evolved yesterday at Basel. The tendency there was to refer the whole matter to the Governments concerned. Norman, of the Bank of England, even went so far as to propose a discussion of the whole question of reparations in a meeting of the heads of states. He would even include on the agenda a reconsideration of the Versailles Treaty [57] and the Young Plan.[58] We are very strongly of the opinion that the time is not right for such a general conference and that the results would be disastrous. However, we have told the British that we believe that a renewal of hope would be given if a meeting of responsible Ministers were held promptly and for the sole purpose of dealing with the present emergency. If such a meeting is held, the President will probably want you to be present. The time would presumably be the end of this week. I shall telegraph fully the President's ideas as to what attitude you should take if the meeting is held and if it seems advisable for you to take part.

CASTLE

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[56] See pp. 536 ff.

[57] *Treaties, Conventions, etc., Between the United States of America and Other Powers*, 1910–1923 (Washington, Government Printing Office, 1923), vol. III, p. 3329.

[58] See Great Britain, Cmd. 3343 (1929): *Report of the Committee of Experts on Reparations.*

462.00R296/4497 : Telegram

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

[Paraphrase]

WASHINGTON, July 15, 1931—4 p. m.

358. For Mr. Stimson. Reference is to your telegram No. 443 of July 15, 6 p. m.[59] If a conference of responsible Ministers should be held in London, it has been suggested that it might be well to discuss questions such as a revision of the Young Plan or the extending of the President's proposal beyond the contemplated period of 1 year. This conference should be solely one to meet the present emergency. I have tried to make this point clear to the British Ambassador, and the President feels that you should so inform Mr. Henderson[60] tomorrow. The United States would find it completely impossible to participate in any conference other than one to meet the present emergency. This is not the time to discuss other matters. The introduction of other questions would mean a year of discussions and during this time the economic picture would grow steadily darker. What the conference should try to do now is to smooth out the differences between Germany and France which make practically impossible any solution of the present difficulties. It should also draw up a permanent and far reaching plan on the relief of Germany for the consideration of the bankers. Since the purpose of the conference is solely to meet a critical situation, it should not venture beyond these two subjects.

CASTLE

462.00R296/4506½

Memorandum by the Secretary of State of a Conversation With Mr. Arthur Henderson at the American Embassy, Paris, July 15, 1931, at 6 p. m.

He[61] came from a two-hour conference with Briand[62] and Laval[63] and told me that they had been discussing a loan to Germany. He said this would of course have to be a public loan and the French insisted that it should be a loan guaranteed by the three Powers, Britain, France and America, saying that otherwise they could not float it. I broke in with surprise and said that this was the first I had ever heard about a loan; that I had opposed the entire question now pending if relief to Germany was of relief in the shape of bank

[59] Not printed.
[60] Arthur Henderson, British Secretary of State for Foreign Affairs.
[61] i. e., Mr. Henderson.
[62] Aristide Briand, French Minister for Foreign Affairs.
[63] Pierre Laval, President of the Council of Ministers of France.

credits. Henderson said that Norman, head of the Bank of England, says he can't lend any more from the bank. He saved the Anstalt Bank.[64] He has lent money, I think, to Poland and he enumerated others and now he is afraid he will not get back all he has lent and claims he will not lend any more. The Bank of France takes the same position.

I at once said that, of course, our central bank would not lend any money under any such circumstances, if the Bank of England and the Bank of France would not, and I then cross-examined him about this loan which he had been discussing with the French. It was to be a long-term loan, if possible, and it was to be guaranteed, but when I came to press him on what he meant by guarantees he was very indefinite. He said he did not know enough about finance, that it was a matter for the Treasury. I told him I was very much surprised at the suggestion of a loan for the aid of Germany being guaranteed by France and Britain and America, and I asked whether he meant political guarantees, saying that we did not believe in mixing political guarantees with this rescue of Germany, and I told him the position I had taken with respect to the same subject when it had first come up from Italy.[65] I said that we certainly would not go into a guarantee which related to a political question in Europe, as it would at once involve us in the kind of European problems we had always kept out of. I then asked him whether they could possibly have meant merely an investigation into the application of the loan with a view to its ultimate security, saying that I had heard that the French had criticised the improvidence with which loans were made by American banks between 1924 and 1929 and I did not blame them for seeking that kind of a guarantee if that was what he meant. He said it might be that, but I could see that he was not certain on that and that his whole mind was vague on the subject. He did mention that they had let drop the remark that they did not care to lend money to Bruening and then have it spent by Hitler. I took this to indicate that the French had in mind the importance of lending directly to the industries instead of to the Government of Germany, a point on which I have always felt sympathy with the French point of view even when I heard that it was in issue between Washington and Paris [66] during my voyage over. Finally I asked him who could make clear to me what the character of the loan was which the French had in mind and also the character of the guarantees and he suggested that I talk it over with Flandin.[67]

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[64] See pp. 21, 23, and 24.
[65] See pp. 219 ff.
[66] See pp. 42 ff.
[67] Pierre E. Flandin, French Minister of Finance.

In the course of the talk he told me that Germany had been very foolish and stubborn in her attitude towards the French at the time of the President's proposal and he told me that before the President's proposal was made he had tried to get Germany voluntarily and as a generous gesture to give up her second battleship, the *Deutschland*. He mentioned incidentally that he thought she was going to give up the third one. I told him that I thoroughly sympathized with the desire to have Germany give up the battleship. I only objected to the method which the French were reported to have used, namely, of trying to force her to do it under the pressure of her financial distress. I said that these political questions which France was seeking to force a settlement of were of such importance and breadth that they must be settled by careful negotiations between competent negotiators and that a settlement made when one negotiator was under duress or strangled by his financial necessities would not be either permanent or lead to good results, that the most important thing in this whole situation was that France and Germany should come out of it closer together rather than farther apart, and that this was the ultimate aim which I had had in view throughout. He said he agreed with me perfectly and that he had the same view. I then told him confidentially of Grandi's [68] suggestion of a year's holiday on the part of all countries in the laying down of warships [69] and I said I thought that might offer a way of getting Germany to give up her battleship with honor and saving her face. I said I thought it was pretty hard for the most highly armed nation in Europe, France, to be seeking to use duress on the country which was already the most disarmed, viz. Germany. He seemed impressed by Grandi's suggestion and I asked him to think it over and let me hear his views. He said that he would have to get the views of his naval people because they always wanted to keep their navy yards going. I said I knew that, but in this case they might solve that difficulty by making the suggestion apply only to the laying down of new ships, thus leaving the construction work on vessels already laid down to go on.

He told me that the French were insisting that he should go to Germany and then stop in Paris on his way back and report to them as to the conditions. I said I thought that was a pretty big order for him to assume and that I myself would not undertake any such responsibility. He said that he knew Germany pretty well, that he had kept a membership in the Internationale and knew all the Socialists and would see some of them over there. He told me that he wanted the French to invite Bruening and Curtius [70] to come to Paris next

[68] Dino Grandi, Italian Minister for Foreign Affairs.
[69] See pp. 440 ff.
[70] Julius Curtius, German Minister for Foreign Affairs.

week when he, Henderson, returns, in order that they might then have a conference, but so far he has failed to get them to agree to this. He then spoke of the Washington suggestion of a statesman's conference, which I had just heard of in the cable from Washington to Paris, No. 354, of July 14. I found that Mr. Henderson knew more of the details of this than I myself had been given in the cable. I pulled the cable out of my pocket and he had evidently seen it. I pointed out that Norman's suggestion of a meeting of the heads of States in which the whole question of reparations, including a reconsideration of the Young Plan should be discussed was one which my Government would never go into. He said he knew that and agreed that it was impossible at this time and he incidentally said that if the French knew any such proposition was even suggested they would have a fit, because they were more afraid of such a revision of the whole question than anyone else. But he was anxious that the second suggestion of a meeting of ministers limited to the sole purpose of considering the present emergency should take place and take place as soon as possible. But he said he had thus far been unable to persuade the French to agree to it. We separated, I telling him that I would try to find out from Flandin the details as to the kind of loan and guarantee which the French were thinking of before our conference with the French tomorrow at 11 o'clock.

462.00R296/4513½

Memorandum by the Secretary of State [71]

First I telegraphed Sackett to talk with me at 9:30 and meanwhile to get a résumé of the financial situation in Berlin. At 9:30 we talked. Ambassador Sackett told me there had been two days of bank holidays and that one bank had failed and everybody was anxiously awaiting what would happen tomorrow morning when the banks opened again. Since my telegram he had talked with the Under Secretary of the Treasury and a prominent banker from the Deutsch Bank. The banker was a little more optimistic than the Under Secretary. The Government were issuing an emergency decree for a partial moratorium and I asked him what it meant. He said it would put restrictions on the payment in full of checks, money would only be allowed to be drawn out for certain purposes and he mentioned among other things debts from abroad would not be paid. This was the important fact. The city was quiet. Brokers felt that the public will understand. The Under Secretary was more pessimistic and thought the public would get out of hand. The Govern-

[71] Of telephone conversations with Ambassador Sackett in Berlin and with President Hoover in Washington, on the evening of July 15, 1931.

ment was very short of cash. The Reichsbank has not enough to rediscount the eligible paper in the hands of the other banks. The decree guarantees the deposits of the closed bank. In substance Sackett thought there was no real improvement. Germany is still expecting to get bank credits.

I then brought up the question of the public loan which Henderson had spoken about and asked Sackett if he knew anything about that. He told me that he had talked with the President about it night before last and that the proposition had apparently come from Norman of the Bank of England. Mr. Hoover, he said, does not want a public loan and thinks the Executive has no power without Congress to raise a loan in that way without an Act of Congress. Sackett thought that the French were withdrawing gold from England in order to put pressure on Norman not to advance any more credits to Germany from the Bank of England and that Norman's new suggestion came from that reason. I told him I did not think so, that the evidence did not point that way to me.

I then called up the White House and told the President that I had arrived in Paris and had run face to face into this loan proposition and I wanted full facts on it. I told him of my talk with Henderson and that the French and Henderson were considering a joint loan of the United States, France and England guaranteed by those countries. The President at once said he knew about such a proposition and that we had no authority without an Act of Congress to make it and that he would not call a special session and that even if he did Congress would not authorize it. He said we were faced with a deficit of $1,600,000,000 and very grave unemployment next Winter and it was preposterous to suppose Congress would authorize the loan of any more money under these circumstances.

I then asked him if there was any chance of private loans from American banks. He told me he also had that under consideration and that no loan either private or public or any bank advances could be floated in America according to the advices he received from the Federal Reserve Bank unless it was given priority over reparations payments. On the other hand, he had been assured that the private bankers would join if such priority were given. During our conversation we were broken off and when I got him again he told me that in the interval he had talked with George Harrison and confirmed this, that George Harrison had said that the New York group of banks would consider favorably a participation in a loan provided those conditions were fulfilled, first, that it should have priority over reparations payments, conditions [*conditional?*] and unconditional, and, second, that the Bank of England and the Bank of France would also participate.

Hoover was skeptical about Norman's position. I had told him in my first talk that Henderson had told me that Norman was over-loaned and was trying to withdraw. Hoover said that Harrison had just informed him that in his opinion Norman was not over-extended, but he was trying to put this up to someone else. Hoover said that Norman's proposition was that the whole situation was political and had suggested the proposition of a conference which would take up the whole question of the Treaty of Versailles and debts at the same time all together, and of course this was impossible. I said that I understood, of course, this was impossible and not only impossible for us but the mere suggestion of a reconsideration of the Treaty of Versailles would make the French fly up in the air.

He then told me that the British Cabinet were in conference today and had suggested a conference of statesmen and inquired whether I would come. I told him that I had seen his telegram on that subject and thought I knew his position and that it corresponded with my own. Hoover said it all depended on whether the subject matter of the conference related purely to the emergency and nothing else and was not authorized to go into these other questions. I said I fully understood.

In my second talk with him after his talk with Harrison, I asked him about the details of the banking situation in New York. He said that Luther had asked Harrison to place $100,000,000 among the New York banks to cover further trade acceptances. Harrison had refused this and said no relief could be expected from the New York banks unless it was made in accordance with a well-matured and well-protected plan such as we had discussed, namely, giving to the lenders priority over reparations payments.

But Harrison had said that today there was a meeting of New York bankers who held $400,000,000 of German trade acceptances and that the meeting had agreed that they would continue to hold the situation at that point, that is, that they would continue to hold that amount $400,000,000 of trade acceptances and as fast as the old acceptances matured they would take new ones up to that amount. They would do this, however, only on condition that the French and British banks which held similar trade acceptances would do likewise. The percentage which our banks held was much larger than the other banks held and it was only fair that the others should hold their own.

I asked him about the amounts of short-term credits which had been held in Germany at the beginning of this trouble. He told me that his figures were that the United States had held $800,000,000, the French $200,000,000 and the British $200,000,000 and that according to Harrison we had diminished ours only to a very small degree and that these withdrawals were only by isolated banks and not by the group

which Harrison was in touch with. He thought ours had decreased less than the other countries. Mr. Hoover then told me that the flight from the mark had really been going on for eight or nine months among German citizens, but that the German banks had not obeyed their orders to make the transfers until recently, when they found the situation was going bad and then they became panic-stricken for fear they would be held responsible for their violation of orders.

Finally he said that in his opinion Luther was a distinct loss and that the situation would be greatly improved if Schacht [72] who had done well in the previous emergency [73] were put in charge in Luther's place. He said that this was the view of the American and British bankers. I expressed my surprise and said I had just today seen articles in the London papers indicating a lack of confidence in Schacht on account of his political ambitions. Hoover said that was nevertheless the best of his information.

After I finished my talk with the President I called up Sackett again and told him of my talk with Hoover. Sackett told me that the Reichsbank had just raised their discount rate from 7 to 10 per cent and had raised the Lombard [rate] from 9 to 15 per cent. They had put restrictions on the payments of foreign debts which would thus postpone foreign credits. Sackett said that in his opinion Germany had done all she could in the way of internal restrictions. I asked him whether there was any chance of her making a generous gesture and he said he did not think so. I told him that we could get no further money except by giving priority over reparations and that in my opinion the chance of that was very slight. Therefore in my opinion it was up to Germany to help us out.

462.00R296/4525

The British Ambassador (Lindsay) to the Acting Secretary of State

No. 245 WASHINGTON, 16 July, 1931.

SIR: I have the honour to inform you under instructions from His Majesty's Principal Secretary of State for Foreign Affairs that in view of the critical international situation His Majesty's Government in the United Kingdom have decided that it is now necessary to summon immediately the Conference of Ministers which was foreshadowed at the time when the invitations to the Committee of Experts meeting in London on the 17th instant were sent out.[74] It is desired

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[72] Hjalmar Horace Greeley Schacht, German Delegate on the Experts' (Young Plan) Committee, 1929, and former President of the Reichsbank.

[73] The great German inflation of 1923.

[74] For correspondence concerning the London Conference of Experts, July 17–August 11, see pp. 164 ff.

that the Conference of Ministers should meet in London at six o'clock on Monday July 20th. The Experts' Committee will as arranged arrive on Friday, July 17th, and will put themselves at the disposal of the Ministers on Monday, July 20th.

The Prime Minister and the Secretary of State go to Berlin as arranged on July 17th returning in time for the Conference of Ministers on July 20th when it is hoped that Doctor Bruening will accompany them.

In conveying this information to the United States Government I am to express the earnest hope of His Majesty's Government that the Ministers concerned will be in London in time for the Conference.[75]

I have [etc.] For the Ambassador:
T. A. SHONE

462.00R296/4527 : Telegram

The Chargé in Great Britain (Atherton) to the Acting Secretary of State

[Paraphrase]

LONDON, July 16, 1931—1 p. m.
[Received July 16—10 : 05 a.m.]

237. Have sent the following to Paris:

July 16, 1 p. m. For the personal and confidential attention of Mr. Stimson. This morning Gibson [76] and I called upon Vansittart [77] who made reference to the British communiqué issued last evening (my telegram No. 235 of July 15, 11 p. m.[78]). Vansittart said that the French had requested the postponement of the meeting of the heads of governments until Monday evening in order to permit MacDonald and Henderson to conclude a visit to Berlin and to report their conclusions and observations personally. Then the French Government at midnight made a *volte face* and stated that after a reconsideration of their position they were not willing to come to a meeting of the heads of governments on Monday unless Bruening should first make a trip to Paris. As a consequence the scheduled visit to Berlin of MacDonald and Henderson has been canceled. According to the information Vansittart now has Bruening has agreed to visit Paris and will arrive there Friday evening. Vansittart mentioned that his only information on this from Berlin was a report by the British Exchange

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[75] On July 22 the Acting Secretary of State replied that Mr. Stimson and Mr. Mellon, Secretary of the Treasury, would attend the Conference.

[76] Hugh Gibson, American Ambassador in Belgium, was in London as American member of the Committee of Experts.

[77] Sir Robert Vansittart, British Permanent Under Secretary of State for Foreign Affairs.

[78] Not printed.

Telegraph of an official communiqué which included the statement that the visit of the British Cabinet officers had been canceled. This afternoon Vansittart intends to issue an informal statement to the press that this change of plans is the result of the mutual desire for cooperation between the German and French Governments prior to the meeting scheduled for Monday. He hopes that in this way he can make a satisfactory explanation of this obvious shift. Vansittart, moreover, intends to have the meeting of the heads of governments take place Monday morning instead of Monday afternoon if this is possible.

Vansittart was clearly disturbed by the possibility that the meeting in Paris between the French and the Germans might result in French demands which the Germans might meet in London but would have more trouble conceding in Paris. He is afraid that this would result either in a breakdown of the talks or in a stratification of the positions of the two Governments before their arrival in London rather than the course which is more to be preferred of having all parties come into the London conference without commitments. Vansittart was even more perturbed by the impression which the British Government had gained that the insistence of the French on a visit to Paris by Bruening and the whole general shift in plans had received your acquiescence. He is most anxious to keep matters as fluid as possible until the Monday meeting and hopes very much that you will be able to direct your efforts toward preventing any government taking a stand before then and thereby prejudicing the equal rights of all parties in the conference.

Gibson and I both agree with Vansittart that it is vital that the French Government should have no basis for believing that there is any divergence between the British Government and the American Government.

ATHERTON

462.00R296/4547½

Memorandum of a Conversation at the Residence of the American Ambassador in France, July 16, 1931, at 3: 45 p. m.

Present: M. Flandin, French Minister of Finance; Mr. Arthur Henderson, British Secretary of State for Foreign Affairs; Secretary Stimson; Ambassador Walter E. Edge; Mr. Henderson's Assistant; Mr. Allen T. Klots.[79]

The main purpose of the conference was to get Mr. Flandin's description of the proposal which had been worked up by the French Ministry of Finance and which was outlined this morning.

[79] Special Assistant to the Secretary of State.

1. As to Germany's need. Mr. Flandin stated that when Luther was here on Monday he said that the foreign short-term credits loaned to Germany amounted to about eight billion reichsmarks. On Monday about three billions were withdrawn. The French estimated that at present there are about five and one-half billion of such short-term loans to Germany, or about $1,400,000,000. His estimate was that about three and one-half billion reichsmarks consisted of deposits and about two and one-half billion reichsmarks trade acceptances. (This does not seem to check exactly with the figures which the President stated over the telephone last night to the effect that there were $800,000,000 in trade acceptances outstanding.)

Governor Moret of the Bank of France estimates that a loan of $500,000,000 to Germany at the present time would be probably adequate to meet the situation provided the foreign banks continued to leave on deposit in Germany approximately the same amount as now exists and continued to hold approximately the same amount of trade acceptances. In answer to a direct question put by Mr. Stimson both Flandin and Henderson said that the English banks and the French banks would join the United States in continuing to hold approximately the same number of trade acceptances as they now hold. Flandin said that France held about $45,000,000 of trade acceptances and had no cash deposits.

2. Flandin's proposal as to the disposition of the sum of $500,000,000 to be raised is as follows: This money is to be deposited in the B. I. S. to the credit of the Reichsbank and not to the credit of the German Government. The use of the fund by the Reichsbank is to be supervised and controlled by a committee made up of a representative of each country participating in the loan. The loan is to be secured by the receipts from the German Customs. It is proposed that this committee is to have similar control of the German Customs and functions similar to those of the Commissioner of Controlled Revenues under the Dawes Plan.[80] This Committee is also to have supervision of the use made by the Reichsbank of this credit. This control will be guided by an examination of the weekly balance sheets of the Reichsbank, a consideration of its reserves and will be exercised to prevent extension by Germany of credits to foreign countries unless the committee approves. The French say here they have particularly in mind the credits by Germany given not only to Russia but to Turkey. The committee is not to limit the normal commercial use of the Reichsbank's funds within Germany itself.

The pledging of the customs as security was suggested by Mr. Flandin because it was one of the services pledged under the Dawes

[80] See Great Britain, Cmd. 2105 (1924): *Reports of the Expert Committees Appointed by the Reparation Commission.*

Plan and under that plan it worked well and the fact that it had been pledged before should make it more feasible to secure its pledge again from Germany. Flandin stated that the customs amounted to more than two billion marks.

The loan is to cover a period of ten years.

3. As to the methods of raising the loan and the amounts to be raised by each country, Flandin first suggested that $250,000,000 should be raised in the United States and $250,000,000 in Europe. Mr. Stimson and Mr. Edge at once objected and stated that the United States would under any circumstances only consider taking the same amount that France and England each would take. Flandin appeared to agree to this but Henderson said nothing. This would mean that the United States, England and France should each raise $166,000,000. So far as France and England were concerned, it would probably be impossible to sell bonds to the public on this loan without a government or inter-governmental guarantee of England and France. While this was maintained as to the French position, Mr. Henderson made no comment as to the British position. It was not made clear as to whether France and England were to guarantee jointly all the bonds issued in their countries or whether England was to guarantee the bonds issued in England and France was to guarantee the bonds issued in France. So far as the American participation was concerned the details would be left entirely to the American banks and the Americans could decide for themselves whether the participation would be taken by the banks or whether the bonds would be sold to the public. It was understood in view of what Secretary Stimson had said this morning that the guarantee by the United States Government of the bonds of the American participation would be impossible. All bonds, however, are to enjoy the same security to be furnished by Germany through customs and committee control.

Mr. Flandin said that the suggestion of his Ministry had not yet been presented to the French Council of Ministers and it was therefore only tentative. It was to be presented however at the meeting this afternoon at five o'clock.

The question was then discussed as to when the Germans were coming to Paris. The understanding this morning was that the invitation would not be issued until after the meeting of the Council this afternoon. Some concern was expressed as to necessity of holding the meeting promptly. Mr. Flandin said that unless some communiqué was issued on Monday a very serious situation might develop.

I am not sending by telegraph the details of this morning's conference since they were all rediscussed as above this afternoon and considerably clarified. However, Secretary Stimson made it clear at the morning's conference that the United States could not under

any circumstances consider guaranteeing even jointly or individually any loan and reserved our position as to all other features of the French proposition.

462.00R296/4468a : Telegram

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

WASHINGTON, July 16, 1931—6 p. m.

362. [Paraphrase.] For Mr. Stimson. The loan plan proposed by the French Government is completely impracticable. Under the French scheme $500,000,000 would be loaned to Germany through the Bank for International Settlements for 10 years secured upon the customs, one-third each taken by France, the United States, and Great Britain and guaranteed by those governments upon public issue. It is clear that the Government of the United States has no authority for such a guarantee.

Such an issue could not successfully be offered on the American market without a Government guarantee. The proof of this is the fact that the Dawes and Young loans are now selling at a very heavy discount, and both of these have priority over all German payments. A loan such as the one contemplated by the French proposal and one which would be secondary to the reparations payments would be even less acceptable to the investor.

In addition the bankers here do not hold the conviction that the present crisis in Germany raises a demand for any such sum of money. If an acceptable plan can be worked out, one which is practicable from the standpoint of the present conditions of the money market, our bankers are inclined to cooperate.

It seems to us that Henderson's statements to you as to the British attitude on the French proposals may have led to a misunderstanding on your part concerning the British position. The following is a note on a telephone conversation between Norman and Harrison. [End paraphrase.]

"Norman says things look very bad; that we are in for a bad week-end; the whole thing is boiling up; [he] has just left the Prime Minister and the Chancellor; the conference the British called for Monday is in danger of being cancelled, if it has not already been cancelled owing to the position of the French; he has just learned within the hour that the French have proposed a huge credit to be guaranteed by the Government; that it is impossible for the British to consider any such thing; that if they did so for Germany, they would have to do it for India, Australia, and so on; no possibility of London even considering it; Henderson is in Paris on disarmament and nothing else; that he knows nothing about the economic situation; that is entirely up to

Snowden [81] and not to Henderson; he mentions it so that he will not have any misunderstanding as to the significance of Henderson's presence in Paris; another reason why the French proposal is impossible is connected with their condition as to customs receipts; it means that the bondholders would take charge of Germany again; would prejudice the Young Loan because it gives another security to a new loan that the Young Loan has not got; no such proposal can be considered; that Norman never heard of it until Snowden just told him; the British are apparently indignant about it. The French are insisting on no change in the fundamental position towards Germany, and it is for that reason the French are trying to break up the conference on Monday. Norman's idea is that Germany does not need long-time money at this moment; what she really needs is the possibility of credit when required; she cannot get this credit, not because she has not got a good basis for credit, but rather because of political obstacles which it was hoped they might dispose of at their conference on Monday; that was the purpose of calling the conference; Norman says that the French are planning to get the Germans into a room tomorrow and put this huge loan up to them, and that in effect this is sham because they know that they are not going to get Governments to guarantee the loan."

[Paraphrase.] In this connection you should keep in mind the fact that the British would be quite ready to open again the whole of the debt and reparations questions. Naturally we cannot consider this for a moment. On this point we believe that we have safeguarded ourselves in accepting the British invitation to a conference by insisting that it be confined solely to questions growing out of the present emergency. However we are glad to note that the British Government entirely agrees with us that the French plan is impracticable. If the Germans entertain any hopes based upon such a French proposal, it is unfortunate; for it is clear that neither we nor the British are able to cooperate in this plan of assistance to Germany. [End paraphrase.]

We hope you will not hesitate to reiterate that the American Government has already sacrificed $260,000,000 and produced for Germany an alleviation to the extent of $400,000,000 through the President's debt suspension program and that no further sacrifices can be called for from the American Government, and that it is urgent that all plans for credit relief for Germany shall be placed on a purely commercial basis.

Mr. Stewart,[82] about whom the President spoke on the telephone, is in London and has been instructed to join you to give you and Mr. Mellon his technical assistance.

CASTLE

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[81] Philip Snowden, British Chancellor of the Exchequer.

[82] Walter W. Stewart, American banker; appointed American member of the Young Plan Advisory Committee, December 1931 (see pp. 332 ff.).

462.00R296/4590½

Memorandum of Telephone Conversation [83]

Mr. Atherton said that the meeting at London had been definitely set for 6 P. M. on Monday.[84] The Secretary told Atherton that it should be clearly understood in London that Henderson had fully agreed to the suggestion that the Germans come to Paris first and that everyone here in Paris felt that this was desirable.

462.00R296/4580½

Memorandum of a Conference at the Office of Prime Minister Laval in the Ministry of the Interior, Paris, July 17, 1931, at 11 a. m.

Present: Secretary Stimson; Ambassador Edge; Messrs. Marriner,[85] Pell [86] and Klots; Mr. Arthur Henderson; Lord Tyrrell, British Ambassador, and secretary, and another representative of the British Embassy; Mr. Laval; Mr. Flandin; Mr. Poncet.[87]

Pell interpreted French into English and Poncet interpreted English into French. The conference lasted for one hour and forty-five minutes. The only subject discussed was the character of the conference to be held here in Paris. Laval opened the meeting by stating that the program was for the French to meet the Germans on Saturday [88] at four o'clock and that there should be a general conference of all ministers and representatives in Paris on Sunday at ten o'clock. It was proposed to invite at this meeting not only the Secretary and Mr. Henderson, but the Italians and Belgians who would pass through Paris on their way to London. Henderson immediately objected indignantly to a conference on Sunday of all nations. His position was that the conference had been called by the British Government and was to be held in London and it was entirely improper to anticipate it by a conference here. There was much argument back and forth and it was finally agreed by Henderson and by the Secretary and the French that the conference on Sunday should merely take the form of "conversations" continuing the conversations had today and which would be had with the Germans on Saturday, and both Henderson and the Secretary made it clear that they would not agree to any decision on Sunday. The reason why

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[83] Between the Secretary of State in Paris and Mr. Ray Atherton, Counselor of Embassy in London, July 17, 1931, 10: 15 a. m.

[84] July 20.

[85] J. Theodore Marriner, Counselor of the American Embassy in France.

[86] Robert T. Pell, clerk in the American Embassy in France.

[87] André François-Poncet, French Under Secretary for the Presidency of the Council and the Ministry of National Economy.

[88] July 18.

the French wanted a conference in Paris was stated to be that the public in France would never purchase bonds to be used to help Germany which was the result of a decision taken in London, and the decision had to be taken here in France or at least the decision to help Germany in some way or other had to be taken here in Paris. Laval made it clear that if the French did not reach an agreement with the Germans that the French would not go to London.

Pell took very full notes of the conference and will write a complete memorandum.

After the conference the Secretary called Flandin aside and asked him about the French proposal as to pledging the customs and whether it would be necessary to secure the consent of the Powers to the new loan being a prior lien on the customs. Flandin repeated what he said over the telephone last night that this would be necessary and he did not understand that the customs were definitely pledged under the Young Plan as they were under the Dawes Plan. He felt, however, that the whole agreement as to a new loan would have to be consented to by the parties to the Young Plan and the whole proposal presupposes this.

The Secretary also had a brief private talk with Lord Tyrrell after the conference. They discussed Norman's view which seems to be that the whole reparations and the financial situation of Europe should be re-examined. According to Lord Tyrrell, Norman wanted to reform all the finances of Europe. The British Government had, however, flatly stopped this and although they realized that Norman was the greatest expert in finance in England and they had to call on him for advice in financial matters, they could not always follow his recommendations.

462.00R296/4579½

Memorandum of Telephone Conversation[89]

The Secretary told Mr. MacDonald that he had been sitting in all these conversations and that he felt and Henderson agreed that the French should have their chance at the Germans first.

The Secretary explained the French Government's view that it had to have the prestige of a conference in Paris to enable them to float bonds in France and that all implication that the plan had been imposed in London had to be avoided.

The Secretary stated that of course the United States could not guarantee any loan and that therefore some loan had to be devised

[89] Between the Secretary of State in Paris and Prime Minister MacDonald in London, July 17, 1931, 2 p. m.

which would stand on its own legs and he had grave doubts whether it would be feasible. He told Mr. MacDonald that Norman, he understood, had ideas with which neither the British Government nor the Americans agreed and in particular the idea of a general conference going into the whole European financial, economic, and reparations questions, including a revision of the Treaty of Versailles. The Secretary said that if the conference in London was going to take on any such aspect he was going home; that he had told Mr. Henderson that the conference must be strictly limited to measures for the relief of the present emergency and that there should be an announcement to that effect prior to the conference and that Mr. Henderson had agreed.

Mr. MacDonald then said that Norman was opposed to giving Germany any more money at the present time and that he seems to feel that the aid already afforded by the Hoover plan has given her twelve months which she needed most in which to pull herself together. MacDonald pointed out that matters were apparently calm in Germany today.

The Secretary asked if no new loan was to be given what the Ministers were going to talk about at the conference at London. MacDonald seemed to think that the chief purpose of the conference was to prevent the French from putting any unnecessary political obstacles in the way of the accomplishment of the Hoover Plan. He seemed to be afraid in connection with the meeting of the experts on the Hoover Plan that the French might raise some political demands. The Secretary said that he understood that the Hoover proposal had all been agreed upon and accepted with the exception of technical matters as to which the United States had no interest.

Mr. MacDonald intends to preside at the meeting of the Ministers.

MacDonald also told the Secretary, very confidentially, that England had a rather serious financial situation for a day or so after the German crisis on Monday.

The Secretary told Mr. MacDonald that he had been told confidentially that the Directors of the Bank of France were not very warm to the Government's proposal of a loan to Germany and that this was one of the reasons why the French wanted the meeting in Paris. Mr. MacDonald told the Secretary that in order to insure that the Sunday negotiations would not be prolonged he had summoned Mr. Henderson home for the meeting of the Cabinet on Monday prior to the London conference, which would necessitate Mr. Henderson's leaving Paris on Sunday night.

462.00R296/4590a : Telegram

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

[Paraphrase]

WASHINGTON, July 17, 1931—3 p. m.

265. For Mr. Stimson. This afternoon's news reports from Paris seem to suggest that the French are planning to keep the German delegation at Paris for discussions with them, with the Americans also participating. Of course this would suggest that the French are trying to put off the London conference. The President thinks that under these circumstances you should tell the French that Mr. Mellon and you are planning to go to London Sunday morning. This should indicate to them our opinion that the London meeting should take place as scheduled.

CASTLE

462.00R296/4575½

Memorandum of Telephone Conversation [90]

The Secretary told the President that he had talked with Mr. Mellon and that Mr. Mellon was arriving in Paris tomorrow and would go to London; that he had had talks with Henderson, Tyrrell, MacDonald and Sackett, both personally and over the telephone, and conferences with Laval and Flandin. He told the President that he had talked with Tyrrell and MacDonald about Norman and Norman's view was not exactly the same as the British Government's view. According to Tyrrell, Norman apparently wants to hold back everything until he has reformed European finance. The Secretary told the President that it was quite clear, he believed, that the British Government would not guarantee any loan although they were not prepared to go the full length of Norman's views.

As a result of various conferences, the Germans are coming to Paris arriving tomorrow at 2 P. M. They will go into conference with the French on Saturday at 4 P. M., and on Sunday a general meeting which Henderson and the Secretary will attend. The Secretary explained that both he and Henderson had insisted that this conference should not anticipate the conference in London; that the Secretary had told the French that he would not see Bruening until after the French had seen him, and that he has already told the French and will tell the Germans the main thing he was anxious to do was to see that the French and the Germans come out closer together in these negotiations rather than further apart.

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[90] Between the Secretary of State in Paris and President Hoover in Washington, July 17, 1931, 5:25 p. m.

At all the various conferences the Secretary has emphasized the fact that the United States Government has done all it can as a Government.

He asked the President specifically whether he approved of the following project, namely, for the Secretary to see the German Ambassador this afternoon and tell the German Ambassador that the United States Government had done all it can in the way of relief to Germany, that any further aid would have to come from private sources and as far as America is concerned this is problematical, and that the Germans had better make up their minds that they had to live with the French and adopt a conciliatory attitude. The Secretary informed the President that the impression which he found here, and to which he agreed, was that the Germans had been up to date trying to hide behind our skirts.

He emphasized to the President that he need not worry about the United States being made to hold the bag, that he, the Secretary, had made it clear with the French and he would make it clear with the Germans that we have no intention of doing so.

The President said that he approved very thoroughly of their trying to thrash out political questions here, if possible, before they go to London. The President also said he thought that a loan guaranteed by the French Government in Europe would kill the possibility of a public loan in the United States.

462.00R296/4573½

Memorandum by the Secretary of State of a Conversation With the German Ambassador in France (Von Hoesch), Paris, July 17, 1931, at 7 p. m.

At seven o'clock I sent for the German Ambassador and saw him with Ambassador Edge. He was a very young, intelligent, conciliatory man. He has been Ambassador in Paris ever since the war. He brought up the question of what was going to happen when the Germans got here. That gave me my opportunity. I told him that since he brought up the question I would answer him frankly. I thought the conference was of the utmost importance and it was of the utmost importance that both nations, France and Germany, go into it in a thoroughly conciliatory spirit and should endeavor to make these coming conferences, on which so much depended, result in the two nations coming out closer together rather than wider apart. I told him that the American Government had done all that it could as a Government in its contribution of $260,000,000 in debt payments to the welfare of the world, primarily for the Germans. Whatever else in the way of assistance the Germans received would have to be

on a regular basis from the banks. That meant that Germany would have to help out the situation herself. I told him and I said I wanted him to know that I had been here three days in constant touch with this matter and I had reached the conclusion that the French were trying to play fair and I wanted him to have the Germans go into the conference and have that in mind. I said again and again the whole result of the conference depended upon Bruening and Laval going into this conference and being conciliatory on such questions as they took up. He expressed the same view and seemed to be grateful for what I said.

462.00R296/4090b : Telegram

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

[Paraphrase]

WASHINGTON, July 17, 1931—7 p. m.

369. For Mr. Stimson. If constructive results are to be achieved at the London Conference, it appears to us that we must first analyze the situation critically. We would like your views on the situation before you give them to anyone else.

(1) The basic problem is to restore the confidence of the world in Germany. This problem falls into two parts: The first part of the problem is to ease the political frictions which exist between France and Germany. Except for using our good offices in conciliation we can take no part in this. If the financial world is to gain increased confidence it is vital that it be reassured that friction no longer exists and that the political stability of Europe, at least until the present economic crisis has been overcome, can be relied upon.

(2) The second part of the basic problem revolves around the financial crisis. Through the action of the President Germany and the Allies as well have been entirely relieved for 1 year of the pressures of intergovernmental obligations. The German position has been bettered to the extent of more than $400,000,000. The United States has aided in this with the largest contribution of any single nation, more than $250,000,000. In addition our Government will pay during this year more than $31,000,000 to individual German citizens on account of the awards of the claims arbiter.[91] The remaining difficulty is solely a banking matter. It arises from the overextension of short-term credits abroad and the loss of confidence resulting in the flight of the mark from Germany. The flight of the mark has had a most alarming effect upon foreign holders of demand

[91] See telegram No. 214, July 16, 7 p. m., to the Ambassador in Great Britain, vol. II, p. 280.

obligations and has greatly accentuated the loss of confidence abroad. These results are in addition to the actual loss of resources in Germany. The flight of the mark can be remedied by German decrees rigorously executed, and if efficient action is taken, the German authorities should be able to recover a substantial part of these losses through the return of the marks which have been in flight.

(3) As we see it, the problem thus resolves itself further into (*a*) the regularization of these external short-term obligations, and (*b*) provision for such additional amounts of bank credits as may be necessary for the German economy at the present time.

(4) It is quite likely that present foreign loans are sufficient to meet German credit needs. We understand that a few months ago the short-term obligations of Germany then outstanding totalled $2,000,000,000. It is reported that this has now been reduced to $1,400,000,000. It is entirely possible that this volume, if it could be held open, would be sufficient to keep German economic life at a normal level. This is the more true since the Germans now secure the benefits of the favorable trade balance now existing and of the $400,000,000 saved through the President's proposal. In addition they should be able to regain a part of the marks now in flight.

(5) However, it is clear that unless provision is made for maintaining these credits it is completely hopeless to provide any sort of a loan or banking credit, whether short term or long term, guaranteed or not guaranteed, unless such loans were made to total more than $1,400,000,000. Otherwise it would be like pouring water into a sieve.

(6) Therefore, the first approach to the problem that we would suggest is the development of a plan for maintaining for an adequate length of time the present lines of credit. As part of such a program the Governments of the countries with the principal banking centers might well undertake to encourage their banks so to organize as to permit the maintenance of the present outstanding volume of credit to Germany. The details of such a program might well be worked out through the cooperative action of the Central Banks or the B. I. S. The countries included in this undertaking should be not only the United States, France, England, and Italy, but also Holland, Switzerland, and other important holding countries.

Moreover, the existing distribution of the weight of German foreign credit obligations is not fair to all countries concerned. We understand that French credits have been reduced to the very small amount of $45,000,000, while our bankers have maintained their very large credits. In the period since the President's plan was proposed it seems that some of the smaller countries have greatly reduced their holdings. They should restore these lines of credit as a contribution to stability, for by reducing their holdings they have increased the

economic dangers of the world. Considering Germany's relief from reparations, certainly German credit is far better today than it was at the time these countries originally advanced their credits.

(7) For Mr. Mellon's information and your own: We know that the New York banks have already agreed to maintain existing credits in Germany for the present. Our understanding is that this is also true of the British banks. Although the burden is larger on the United States than on any other country, or perhaps all countries, we believe that voluntary arrangements can be worked out here.

(8) If it is possible to work out voluntary arrangements for holding open the present volume of credit, this action will have to be accompanied by strict control through the Reichsbank of all foreign exchange so that an arbitrary withdrawal of credit could under no circumstances occur.

(9) We believe that if this can be done, the whole problem will be reduced to small dimensions. At least for the present Germany will be able to go along on this volume of credit if she takes vigorous action to recover the marks which are now in flight and if she has the benefit of her existing trade balances. If after a time it should appear that this amount of credit is too small, then the restored confidence which this plan will assure, would mean that Germany could probably obtain increased credits through normal banking channels. It might even be possible to make some additional advances in order to restore the present German situation to normalcy, but such advances would be worthless if the present outstanding obligations were not fixed as suggested above, and unless definite assurances could be given that new funds would not merely be used to liquidate existing obligations and that these new funds could be recovered without interference of reparations.

(10) We want to point out strongly once more that aside from the political friction existing in Europe this whole problem is a banking problem that can be solved only through the use of banking methods. We also wish to restate, in view of the analysis that has been given above, that the French plan is completely impracticable. It is impracticable because

a. We could not be a party to the political or semi-political demands on Germany that the French have outlined.

b. Neither the British Government nor our own Government would enter into the guarantees implied in that plan.

c. Without Government guarantees the securities projected in the French plan are worthless for marketing or banking purposes.

d. If present lines of credit are maintained, the proposed $500,000,000 is not needed. If these lines are not maintained $500,000,000 is merely a drop in the bucket.

It is to be noted further that although our bankers are willing to help, the American Government cannot pledge their credit. In any case, the primary step of securing voluntary action and the resolute action of the Government of Germany in stabilizing existing lines of credit, probably constitutes the only solution of the problem. It is at least a necessary basis for any additional plans.

(11) For your own information, there is possibly another way in which the American Government might be of assistance in this German crisis. The farm cooperatives which are financed by the Farm Board could supply 70,000,000 bushels of wheat and 1,100,000 bales of cotton to Germany on payments distributed over 2 or 3 years. This would amount to a year's supply of these two commodities. The total assistance to Germany by this move would be approximately $120,000,000. This is merely for your own information. We do not wish this suggested to anyone.

Please discuss this telegram with Mr. Mellon and Mr. Stewart and let us know your joint opinion by telephone.

CASTLE

462.00R296/4587½

Memorandum by the Secretary of State of Conversations With M. Flandin and With Mr. Jay, of Morgan & Company, at the Residence of the American Ambassador in France, July 17, 1931

Later in the evening I had two or three very important talks. I got hold of Flandin and took him apart and he asked me first about the financial situation and about raising money in New York. I told him I thought it was going to be very difficult to raise money, but I hoped that after we got to London and got to sitting around the table if the preliminary conferences here between the Germans and the French had gone well we might develop something out of it. I told him I had seen many situations before in which the views of the bankers had changed. I then told him of my interview with the German Ambassador and what I had told him about the French attitude. I told Flandin how important I thought it was. I asked him whether he was going to London and he said he was. I told him I felt that with a conciliatory spirit on the part of the French as well as the Germans under the guidance of Ramsay MacDonald, who was a very conciliatory element, there would be a great opportunity to make progress. He made a very favorable impression on me by his attitude and he apparently felt the same way.

I then brought up with him the suggestion of the two-year naval holiday as a way of shelving the pocket battleship question and he jumped at it and said he would take it up with his people. He did not

know much about naval affairs. He only knew France was preserving her advantage. I pointed out that the naval holiday preserved the position of France in respect to other Powers and he said if that was so he saw no difficulty in doing it and thought it was a good plan.

Then Edge told me that Jay of Morgan & Company had some things he wanted to talk to me about and got us apart in a corner. Jay pulled out a cable which he received from Tom Lamont and Russell Leffingwell [92] which maintained a very hard doubt of the possibility of raising any money in New York for Germany at the present time and putting the whole question up to Germany's being able to take care of herself. It was a closely reasoned argument of why no money could be floated and ended up with a request, as I recall it, that Jay convey their view to Moret of the Bank of France, and he told me that he had talked with Moret about it and was going to talk to Flandin. Then I blew up. I pointed out the folly of such a matter being invoked into the situation at this time. I told him that I happened to know that the Bank of France was holding back on the efforts of the French Government to solve the situation and this would add fuel to the enemies to [*and end?*] the only chance of conciliation. Just at that moment a waiter came in and said I was wanted on the telephone to talk to Washington. I went to the telephone and the President was on the other end and this was his message, that everything depended upon the London Conference, that all the safety of the banks in New York who had advanced money to Germany was dependent on the conference going to London and the President had read in some English despatches anxious statements for fear that the French would try to side-track the London Conference. He wanted me to know it. I reassured him on the subject of the situation so far as our negotiations with the French were concerned. I said I was much encouraged to think that we are going all right, but I told him "if you want to help in the cause you are speaking of you will not do it by calling me up, but by calling up Tom Lamont . . .", and I told him of the cable I had just seen. I said that was the one thing which would prevent the French from going to London and he told Moret. The President jumped at my remarks and said he agreed perfectly and would get after Morgan at once and I then went back to Jay, who was still waiting for me in the other room and I told him of what the President had said and I said to him, "You have hit the London Conference right plumb in the eye and I want you to know it." He said, "Well, I will get on the telephone at once with Lamont." I said, "You needn't do it; the President has done that already, but you had better get after Moret at once." He said he would see him in the morning. I pointed out to him in unregulated language the folly of the bankers getting

[92] Members of the firm of J. P. Morgan & Co.

into a situation depending on psychology when the representatives of their Government were trying to control the psychology of a situation like this and that they could not take refuge in narrow banking axioms because banking depended on general psychology. . . .

462.00R296/4593½

Memorandum by the Secretary of State of a Conversation With M. Laval, Paris, July 18, 1931

Encouraged by the spirit and success of my conference with Flandin, I decided to call on Laval and did so this morning alone. I told him of the satisfactory impression which had been made upon me by the attitude of his Government towards this matter; that I had conveyed these impressions to the German Ambassador and that I desired to help him in any way that would help the main object we had in mind for a solution of the crisis. I told him also from my acquaintance with MacDonald I felt I could assure him that he would meet the same spirit in London. Poncet acted as interpreter and both he and Laval were very responsive, and I came away feeling that the interview had probably helped the situation in the way in which we desired, having the conference taken to London with the best possible augury of success.

462.00R296/4606b: Telegram

The Acting Secretary of State to the Chargé in Great Britain (Atherton)

WASHINGTON, July 19, 1931—1 p. m.

218. [Paraphrase.] For Mellon and Stimson. When an appropriate time arrives, the President wishes you to submit to the Conference now meeting in London the following suggestions. It is left to your judgment to decide whether these suggestions shall be put forward as his plan or as an American proposal prepared by you. The President believes that you will follow whichever procedure will work out for the best. [End paraphrase.]

"The essence of the problem is the restoration of confidence in Germany's economic life, both in Germany and abroad.

1. On the political side the United States hopes that, through mutual good-will and understanding, the European nations may eliminate all friction so that the world may rely upon the political stability of Europe.

2. On the economic side, the present emergency is strictly a short term credit crisis. Fundamental pressure upon German economy during the period of depression has been relieved by the joint action of

the creditor powers in suspending all payments upon governmental debts during the period of 1 year. But Germany has financed her economic activities to a very great extent through the medium of short term foreign credits. There is no reason to doubt the soundness of the basis upon which these credits rest, but the general uncertainty which has prevailed for the last few weeks resulted in such a loss of confidence that the German banking and credit structure was subjected to a very severe strain. This strain took two very definite forms, both of which resulted in a drain of banking resources and the depletion of German gold and foreign exchange holdings.

In the first place there was a flight from the mark within Germany. In the second place there was a withdrawal of foreign deposits and a curtailment on the part of foreign banks of outstanding lines of credit.

Fundamentally there is nothing to justify these movements and if, through cooperative action, they can be arrested, there is no reason why the present emergency cannot be immediately and definitely surmounted.

(*a*) As to the first, namely, the internal flight from the mark, this can be and is being successfully combatted by the vigorous action of the German Government and the Reichsbank. Once unreasonable fear has been eliminated, it is certain that the patriotism of the German people can be relied on to prevent the destruction of the credit of their own country.

(*b*) As to the external credits, we believe that the first approach to this problem is the development of a program that will permit the maintenance for an adequate period of time of the present outstanding lines of credit. In this connection it is our understanding that this volume of credit together with the freed reparations and the natural gain from the allayment of the panic should be adequate to meet the needs of German economic life for the immediate moment. On the other hand it must be apparent that, unless provision is made for the maintenance of these credits, an attempt to provide new ones, whether of a short or long term character, would be ineffective. In the development of such a program, the governments of the countries having principal banking centers, including the United States, England, France, Italy, Japan, Switzerland, Holland and other important banking centers, might well undertake to encourage their bankers so to organize as to permit the maintenance for an adequate period of time of present day outstanding lines of credit to Germany. The responsibility for working out the details of such a program and the methods of making it effective with due regard to the protection of the banks and the needs of German economy should be left to the banking communities of the respective countries and the central banks could, we believe, be relied on to furnish the necessary leadership, cooperation and direction.

Such voluntary arrangements should be supplemented, for the time being, by strict control of all foreign exchange transactions by the Reichsbank so that the integrity of the program can be maintained and the banks that are participating can be assured that there would be no arbitrary withdrawal either from within or without Germany.

3. It is our belief that if such a program could be made promptly effective it would result in an immediate restoration of confidence

and that in a comparatively short time the necessity for restrictions of this character would disappear and normal conditions would once more prevail. There is all the more ground for faith in such a result in view of the fact that the United States debt suspension program has now become effective and that the events which succeeded the announcement of that program clearly demonstrate that relief from payment of intergovernmental debts established in the minds of the business world the basis for renewed confidence.

4. A committee should be selected by the B. I. S. or created by some other appropriate method to secure cooperation on the following questions:

A. In consultation with the banking interests in the different countries to provide for the renewal of the present volume of outstanding short term credits from those countries.

B. In making an enquiry into the immediate further credit needs of Germany.

C. In the development during the course of the next 6 or 8 months of plans for a conversion of some proportion of the short term credits into long term credits."

CASTLE

462.00R296/4596 : Telegram

The Ambassador in Germany (Sackett) to the Acting Secretary of State

BERLIN, July 19, 1931—2 p. m.
[Received July 19—noon.]

137. Presidential decree issued late evening July 19 against the flight of capital and tax evasion contains three paragraphs.

1. The obligation is put upon all persons to offer to the Reichsbank all foreign media of payment; the same to foreign securities purchased subsequent to July 12. Exceptions are made for the legitimate needs of importers. Violations of this decree are subject to imprisonment and heavy fines.

2. Provides for tax amnesty to persons now declaring taxable property which they had previously failed to declare. For this purpose, supplementary tax declarations may be entertained made up to July 31, 1931. Failure to declare previous tax evasions subject to severe punishment and heavy fines.

3. Deals with tax supervision and provides that persons hitherto not obliged to keep books and who have a certain income must hereafter keep books. The investigation of the books of stock companies, et cetera, may extend to the investigation of employees of the respective organizations.

Presidential decree issued July 18th provides for the payment of an additional passport fee for foreign travel. Decree effective July 22 and expires October 1st, 1931.

The governmental regulation, issued late July 18th provided for the further relaxation of the bank holiday regulations and resump-

tion of limited bank payments, is regarded as the first step toward the restoration of normal banking conditions. In substance the decree regulates payments by banks from July 20th to July 23rd inclusive. On these 4 days banks may pay to depositors no more than 5 percent of deposited amount, and in no case more than 100 marks. Payments on savings banks deposits are limited to 20 marks, on letters of credit to 100 marks. Payments may now also be made to meet freight charges. With respect to all other payments these 4 days are regarded as legal bank holidays. Drafts may not be protested from July 22nd to July 24th. Failure to meet obligations due to above restrictions furnishes no basis for legal claims. The Postoffice, Reichsbank and Gold Discount Bank are not subject to these restrictions.

SACKETT

462.00R296/4606c: Telegram

The Acting Secretary of State to the Chargé in Great Britain (Atherton)

[Paraphrase]

WASHINGTON, July 19, 1931—2 p. m.

219. For Stimson and Mellon. With reference to my telegram No. 218 of July 19, 1 p. m., the following considerations may come up in the discussions of the Conference:

1. Although the American proposal is simply a first step, it is possible that it will be held that it is inadequate to take care of the present situation. In this regard the banking world has no information of a convincing or satisfactory nature. Naturally it is felt in Germany that more credit is needed; but without further evidence it will be impossible to satisfy the banking world on this point.

2. It should be understood in Germany that because of their crisis the entire world of finance has been placed in a very precarious position and that it is much more difficult now to provide further credit than would have been the case 3 months ago. It is necessary first of all to bring back confidence even though for a certain length of time Germany should be short of working capital. Furthermore, Germany should realize that at present the entire world is short of capital, and that each nation is now endeavoring to bolster up its own economic structure.

3. On the 20th of June when Mr. Hoover made his offer, there was a practical cessation of the external run on Germany, but unrest developed again both in Germany and abroad as a result of the delays on the part of the French in accepting. In consequence from various quarters there has been a demand on Germany to furnish

exchange against a large proportion of these short-term credits. The Hoover proposal has been undermined as a consequence of these demands. According to information which has come to us, the banks in the United States have stood up to a very large percentage and certain of these banks have even complied with demands for additional aid. The French, on the other hand, are said to have reduced their holdings of German short-term credits by more than $200,000,000. Moreover, the banks of Italy, Holland, Denmark, and Switzerland are said to have done the same thing. The present situation has come about principally because of the action by these groups of banks; and it is their moral obligation to assume their share of the world burden and restore these credits. Such a result can be obtained in either one of two ways: Each nation should bring back its situation with respect to Germany to what it was on June 20 or, alternatively, each country should restore its credit up to the same proportion of its June 20th credit as the proportions which have been maintained by the American and British banks to date as compared with June 20th. That is to say, if American credits were decreased during this period by 20 percent, then the other nations of the world ought to restore these credits to 80 percent of what they were on June 20th. The reply to this suggestion will doubtless be to the effect that these matters are private transactions; to which we can say that American and British credits have been held open through governmental influence which would have been equally effective and can still be made effective in other banking nations.

4. It cannot be said that the American banks would not consider making some additional short advances; but they are entitled to know that other countries have restored the situation proportionately and that any new load that may be necessary will be borne by them in just proportions.

5. It might be well for you to suggest, at some point in the discussions, that if other nations agree to maintain and build up credits to the amount of $120,000,000, the Government of the United States will agree to finance raw materials in cotton and wheat for such an amount at the same terms that credit is extended to Germany by other nations. Otherwise expressed, the American Government, instead of providing banking credits, would be able to open credits to Germany for the purpose of buying these raw materials from American governmental agencies. This kind of service amounts to the same thing as the extension of credits by banks.

6. With regard to the assertion of the French Government to the effect that it is the only Government which is showing any willing-

ness to face the situation, you can answer effectively by the following statement:

The United States has put up already by the Hoover proposal two and one-half times as much as France has. Over one-half the entire burden of Germany's short-term credits is carried by American banks; while less than 5 percent is carried by the French. Even since President Hoover's offer was announced the French have further embarrassed the situation by reducing their credit. It would be of advantage if the French would agree at the conference to restore these credits in the same proportion as the credits still held by Americans, who have maintained their short-term holdings at the request of the President. The Government of the United States is willing to help extend German credits either through increasing the outstanding American banking credits or, in any case by supplying raw materials as stated above, on condition that other banking nations agree to render assistance in proportion. In order that these various matters could be considered, we made the suggestion in telegram No. 218 of a committee.

7. According to indirect information received from the officials of the Reichsbank, we are of the opinion that the immediate needs of the moment can be provided for by keeping the lines of credit outstanding at present open. There is no doubt that the situation can be handled successfully if other banking nations will build up their credits to the same level proportionately as that maintained by the Americans now in comparison with their June 20th level. The American Government is afraid, however, that if the success or failure of the Conference is considered dependent on whether or not a new sum of money is provided for Germany, the entire world will be on edge until such a loan is consummated; and it should be remembered moreover that the loan may prove a failure. If, on the other hand, the immediate step is taken of keeping open the lines of credit which now exist, there will be a general feeling throughout the world that stabilization of the situation has been achieved. The world will begin to regain its confidence; and from this restored confidence will arise the possibility of taking additional steps.

8. In view of the fact that France has already withdrawn all but a very small portion of its short-term credits, you will appreciate the fact that, if other nations agree to maintain these credits, we can for the present save Germany without the help of France. Moreover, the force of public opinion, which ultimately made it impossible for France to turn down the Hoover offer, will once more force her to join with us. For these reasons, we are not dependent on action by France; nor do we need to agree to any demands of a political

nature which the French may make of the Germans, nor need we be involved by the French in any manner unacceptable to us.

There is no doubt that in case France should be willing to give money to Germany in exchange for political concessions and if these conditions should be accepted by Germany, confidence in Germany would be completely destroyed, and her collapse would be precipitated. Consequently we are not in sympathy with encouraging France to put out money for Germany under the conditions set forth in the French proposal; nor would Germany gain anything by accepting money under political conditions such as these, which would cause the confidence of the rest of the world to be lost. In brief, the London Conference is not subject to French dictation.

CASTLE

462.00R296/4600 : Telegram

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

PARIS, July 19, 1931—7 p. m.
[Received July 20—11:36 a. m.[93]]

461. [Paraphrase.] We did not receive all of your No. 369, July 17, 9 [7] p. m., until July 18, 1 p. m. We have protested officially to the French telegraph office. Before the decoding of your 369 was completed Mr. Castle reached me by telephone and we discussed generally the contents of your telegram. The President and Under Secretary of the Treasury Mills also participated in the conversation. Later on I conveyed to Mr. Mellon and Mr. Stimson the substance of this conversation. In the meantime we had received the full text of your 369. Our combined judgment was that the suggestions made in your 369 if formed into a specific American proposal could very well be presented to the London Conference by Stimson and Mellon as a first step. Nevertheless before so informing you we thought it would be wise to talk first with Bruening and Curtius. We had already arranged a conversation with them to be held at 10 o'clock last night, as I informed you on the telephone. This conference lasted 2 hours, and we obtained a fairly clear picture of the German financial situation. Mr. Stimson summarized the conversation for you by telephone at midnight last night. At the very beginning Bruening gave a résumé of their meeting with the French Ministers during the afternoon. He said that the conversations with the French were on a basis of great friendliness and cordiality, but that the conference did not go much beyond a discussion of the German financial situation and an indication on the part of the French that they were pre-

[93] Telegram in twenty sections.

pared to join other countries in raising an additional loan under certain conditions not fully specified.

At our own conference with the Germans, Stimson expressed the opinion, in accordance with your 369, that we felt that if the $1,400,000,000 of short-term credits held by the banks of various countries (largely by the United States) were held without any present threat to German credit, this should aid greatly in the relief of the German financial situation and would probably make additional loans to Germany unnecessary. Bruening then made a long explanation of why, as he saw it, this would not be sufficient. In his opinion, in order that confidence in German credit might be assured a cash loan of from $400,000,000 to $500,000,000 would be required. Bruening stated further that about this amount of money had been lost in withdrawals since the failure of the Darmstädter Bank. When the suggestion was made that the President's proposal balanced this amount by relieving Germany of $400,000,000 of reparation payments during the next year, Bruening indicated that Germany only receives that relief from month to month, as that was the basis upon which they would have paid it into the B. I. S. As a consequence this total amount was not really available until next year. At this point the German Chancellor confessed that the only way they had been able to keep the 35 percent reserve as cover for their note circulation was by the use of the loan of $100,000,000 recently granted by the Central Banks of France, Great Britain, the United States, and the B. I. S. He said that now this was practically exhausted, and he seemed particularly concerned about this phase of the situation, feeling that it was vital for Germany to get an additional loan so that the necessary legal reserve could be maintained. Up to this time we have not been given the detailed figures which he promised us. Mr. Stimson stated clearly our opinion that a $400,000,000 loan or a loan of any other amount would be useless unless the holes were plugged. Otherwise it would be necessary, of course, to loan perhaps a total of $1,500,000,000 to meet all the outstanding German credits. The Chancellor agreed to all this, but he kept insisting that an actual cash loan is absolutely necessary—this notwithstanding our frequent reference to the possibility of intergovernmental cooperation to hold the existing acceptances and other credits.

Mr. Mellon raised the question of the possibility of aiding the restoration of confidence by an encouraging statement to be freely published by the Germans. This statement would indicate that Germany did not intend to repudiate the Young Plan after the moratorium year and that Germany also would stand behind its representatives who had signed all the pledges of the Young Plan. The German Chancellor was extremely cautious in replying to this suggestion. He stated that the great trouble was that the Young Plan had been established in

undoubted sincerity in a period that was abnormally bullish. The Young Plan had undoubtedly been influenced by that condition and now it was difficult to tell what Germany's capacity would be with times as uncertain as they were at present. According to Bruening's statement Germany has paid her reparations from the outset out of borrowed money. We questioned this view because of the fact that reparations amounted to only 28 to 33 percent of the budget of Germany and I suggested that the Chancellor's viewpoint was perhaps only a bookkeeping statement.

We discussed completely the fact that Germany's 5 years of prosperity paralleled that of other nations. While the whole talk was thorough, frank, searching, and friendly, nevertheless the Chancellor stood by the specific statements he had made and clung to his position that, while Germany would do all that it could, an additional loan within 8 or 10 days would be necessary or the situation would be beyond their control. He gave details of the strict decrees that the German Government had put into force in order to protect deposits and to curtail withdrawals. He said that these measures were inviting serious internal repercussions.

At 1 o'clock this morning Mr. Stimson telephoned the substance of this conversation to the President. [End paraphrase.]

This morning at 10 o'clock Mr. Stimson, Mr. Mellon and myself attended the meeting accompanied by Premier Laval to be participated in by representatives of the foreign nations now in Paris who were particularly concerned with the German financial situation including the United States, France, Great Britain, Germany, Italy, Japan and Belgium. The outstanding development was a brief analysis of the situation in Germany by Chancellor Bruening and a call for tangible proposals by Prime Minister Laval to which Secretary Stimson and other Ministers present replied in general terms.

In opening the meeting Premier Laval thanked the representatives of the Governments who had consented to assemble in his office and reviewed the developments of the previous day, his conversations with Secretary Stimson and Foreign Minister Henderson in the morning and the Franco-German conversations in the afternoon. The object of the gathering, he explained, was to explore the means of participating in a concerted move to assist Germany in meeting the difficulties of the financial and economic crisis through which it was passing. No formal proposal had so far been made by any Government, he declared, and every one present was in full agreement that nothing of a formal nature should be done until the delegates met in conference in London.

However he felt that the general meeting would be useful in facilitating the London Conference and in assisting France to meet

the peculiar situation in which it found itself. France, he stressed, was prepared to devise the ways and means of going constructively to Germany's assistance in time to bring an efficacious remedy. But it was essential that prior to taking material steps it should have a frank and free face to face explanation with the German Ministers. To achieve that end, a first interview had taken place yesterday which would be followed by a second meeting this afternoon, Sunday.

France, he continued, could not participate in the contemplated relief measures without definite "precautions" which it had indicated to the German Ministers yesterday. The German Ministers fully understood the position of the French Government as the French Government understood the difficulties facing the German Cabinet and it was hoped that the German Ministers would reply today in a way which would pave the way for further conversations.

The French Cabinet, Mr. Laval then explained, must before reaching a decision know what the agenda of the London Conference would be. It sincerely hoped that it would be limited to the subject of financial aid to Germany and would not go into such subjects as disarmament and the Young Plan. In any event its final decision would be determined by the position taken by the French and German conferees at the meeting this afternoon.

The only proposal so far formulated has been contributed by the French Government, M. Laval pointed out. France recognizes Germany's need for money for a short-term credit to be reimbursed through a long-term loan.

This was merely a general idea thrown out for consideration and in no sense of the word a formal proposal. In any event, M. Laval concluded, the final adoption of the French formula would have to be conditional on definite guarantees. He then asked Chancellor Bruening briefly to review the situation in Germany.

The financial and economic situation in Germany was basically different from that in other countries the Chancellor explained. German finances had for the last several years depended primarily on short-term credits. Thus last year a total of from 7 to 8 billion marks was obtained from foreign countries on short-term arrangements and unlike other countries which are covered by gold, Germany has approximately 4 billion marks in circulation in bank notes which must have coverage.

Germany, the Chancellor stated, must have coverage in foreign exchange to the amount of 2 billion marks. In 8 months Germany had lost more than 2 billion marks necessary to cover notes in circulation. Under these conditions it is impossible to reconstruct the economic and financial life of the country and it will only be possible to correct the situation by cash loans.

The German Government, he said, had attempted for 15 months to reorganize its financial situation to meet the demands of domestic payments and reparations. The result was a rapid deflation which had brought on grave difficulties from an economic and financial point of view. These difficulties were increased following the Credit Anstalt failure and the collapse of certain Dutch banks, so that today the situation in Germany was desperate.

Germany's position at the present moment could be described as follows: Its budget is stabilized as a result of radical, almost brutal, financial restrictions. The Government has done everything in the domestic field to remedy the situation. It has bolstered the Darmstädter Bank; has taken drastic steps to curb the flight of capital; has decreed that all bearers of foreign currency must notify the Reichsbank; has held up bank payments for several days; has increased the circulation of paper currency; has taken measures to broaden the scope of bank credits and has arranged a system of mutual guarantee grouping 40 German banks.

If Germany were to declare an external moratorium tomorrow it would imperil the financial structure of all Europe. Many European nations would be obliged to follow the moratorium and suspend their foreign payments. The situation would become so grave that it would be exceedingly difficult to find a remedy.

Everything now has been done that can be done to prevent the further withdrawal of foreign credits and the flight of capital. To meet the situation Germany must have not short-term credits alone—that would in any [*no?*] sense be sufficient—but it must be assured that the capital already withdrawn will be replaced by new capital. Admitting the short-term credits will be returned, these steps are imperative if Germany's economic life is to be revitalized.

Monsieur Laval at this point resumed his exposé of the situation. The Governors of the Central Banks, individually approached by Doctor Luther, had already confessed their helplessness to remedy the grave difficulties now prevalent. Even the B. I. S. had confessed that it was unable to supply the needed remedies and had referred the problem back to the Governments. The representatives of the various Governments were now met together and Premier Laval hoped they would attempt to come to an agreement on how best to assist Germany in its hour of dire need.

France, the Premier observed, had already defined how far it was willing to go and had circumscribed its field of action. It was now the turn of other Governments to explain their positions and to discuss the means at their disposal for coming to Germany's aid. Monsieur Laval then called upon Secretary Stimson to explain in general terms, of course, without commitment the position of the United States.

Secretary Stimson replied that the position of the United States towards this problem had been shown fundamentally by the nature of the proposal with its sacrifices which President Hoover initiated. The United States, he said, has felt throughout that the basic evil of the situation was the general lack of confidence, the basic remedy the restoration of confidence. President Hoover's proposal was made in that conviction and has been accepted by all nations on that basis. The favorable reaction which followed the launching of President Hoover's proposal showed the accuracy of the American Government's diagnosis of the important part which the need for confidence played.

I look upon these conversations in that light, the Secretary continued. The invitation of the French Government to the German Ministers, and the conferences between the German and French Ministers must be regarded in the same light, as vitally essential to the restoration of confidence.

When the question of further steps in the direction of meeting the crisis arises, the United States is prepared to receive and explore with sympathetic attention the explanations and suggestions which other Governments submit. The United States, Secretary Stimson continued, has followed the steps which the French Government is taking with attention, although in some respects they raise insuperable difficulties of a governmental nature from our point of view. When you have a tub with a hole in the bottom of it out of which water is running, there is not much use pouring in new water until the hole is plugged. In other words, the situation described by Chancellor Bruening of the flight of credit from Germany makes it primarily necessary that we should see that there is no further flight. The American Government is giving its attention to this phase of the problem believing that it is not contrary to what the French Government is proposing to do, but is supplementary. There are credits which Germany still has, and the American Government believes that the preservation of these credits for Germany is absolutely necessary. In conclusion Secretary Stimson expressed his belief that with a conference called in the spirit in which the London Conference is called, begun in the spirit of the President's proposal and continued in the spirit of the French Government's invitation to the German Ministers, the solution of the grave crisis which Germany and the world is now passing through is not impossible. The Secretary expressed the hope that out of the work in Paris which is to be carried on in London a solution will be found which will be helpful in aiding Germany to meet her crisis.

Foreign Minister Henderson followed the Secretary of State, associating himself with Tyrrell, in offering his congratulations to the French Government for the broad spirit in which [they issued?] the

invitation to the German Ministers and [for] according them a cordial reception in Paris.

Whatever plan may ultimately be adopted to give assistance to Germany, its foundation must be in a firmly established Franco-German understanding, Mr. Henderson declared, with regard to the position of his Government. Mr. Henderson remarked that he was not at this time and had not been when he came to Paris prepared to make any tangible proposal. Great Britain, he said, has already evidenced its desire and determination to do everything to assist the Germans. It has been animated with the same determination since the British Ministers met with the German Ministers at Chequers and which it was proposed to call on in the visit of Prime Minister MacDonald and Foreign Minister Henderson to Berlin to show their sympathy to the German Government and the German people. This proposed visit, however, had been canceled because of the change in program. However, Mr. Henderson explained, it was impossible for him either [*even?*] to express an opinion, much less to commit his Government. He announced that he would leave for London on the 4 o'clock train this afternoon, would see Prime Minister MacDonald at midnight and would attend a Cabinet meeting tomorrow, Monday morning, to consider the problems which would have to be solved at the full Conference opening in London tomorrow night.

However, Henderson welcomed the possibility of some form of preliminary agreement between France and Germany that, he believed, would be a substantial contribution toward making the London Conference a success.

Furthermore, the British Government was prepared to consider very carefully any proposal that might be made as the outcome of the Franco-German conversations of yesterday and today.

In conclusion Henderson stated that his Government was in complete accord that the conference in London should be confined to the financial situation in Germany.

Grandi, speaking for Italy, thanked the French for inviting Italy to participate in the conversations "which are so important for the ultimate success of the London Conference".

The attitude of Italy is well known, he observed. The Italian Government was among the first to accept the Hoover proposal [94] and has already begun its execution. It notes with great satisfaction the conversations between the French and German Ministers which in themselves open up the prospect of a favorable issue of the present world difficulties. Italy, he continued, is hopeful of concrete results. The Italian people are following with breathless attention the present

[94] See pp. 219 ff.

conversations and realize that on them hinges the hope of European peace.

Italy, he remarked, had no specific proposals to make but was ready to receive and examine any proposal which was put forward for the solution of the crisis in Germany.

Ambassador Yoshizawa[95] interpreting the Japanese viewpoint, associated with the representatives of other Governments in congratulating the French and German Ministers for their effort to meet in common the economic crisis "which is world wide". He expressed himself as very pleased to record that the atmosphere was in every way conducive to a successful solution of the crisis and declared his Government ready to promote any proposal which might permanently remedy the situation.

Hymans,[96] for Belgium, expressed himself similarly and specifically stated that his Government was prepared to associate itself with any proposal which might really be conducive to a favorable outcome of the present difficulties.

Thereupon, Laval again took the floor and after remarking that President Hoover has apparently closed the question of governmental credits, recalled that Chancellor Bruening's appeal was twofold:

1. For a ready credit to be at the immediate disposal of the Reichsbank in the sum of 2 billion marks;

2. For a loan with which to consolidate the credits.

Referring to Secretary Stimson's statement that it would be necessary to study the credit situation in Germany in order to stop the outflow of capital and the removal of credits Laval observed that this was not a time for protracted study; something must be done at once. Positive means must be found for meeting the monetary crisis. In short he stated the question was, are the powers which have already participated in a credit to Germany prepared to grant new credits? And are other powers willing to associate themselves with this enterprise?

Thereupon Monsieur Laval repeated his previous warning that the French Government in order to meet the susceptibilities and allay the fears of the French public would have to surround the proposed credit and loan with certain "precautions" or guarantees. France had already been required by the Hoover proposal to sacrifice its reparations and now it was being called to give its money. It has shown itself to be almost alone in its willingness to make a firm, precise proposal of additional aid to Germany and has frankly outlined to the German Ministers the conditions in which this aid can be granted,

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[95] Kenkichi Yoshizawa, Japanese Ambassador in France.
[96] Paul Hymans, Belgian Minister for Foreign Affairs.

and explained why it was necessary if a loan was to be floated on the French market for the French participating banks and the subscribing public to have the guarantees. The German Ministers had met the French terms with frankness and it was to be hoped that they would be able to give a satisfactory reply this afternoon to the express requests of France and the French delegates would be able to go to London animated with a firm desire to reach a satisfactory solution.

Laval then asked Briand to discuss the Paris conversations and the London Conference from the positive and practical standpoint and the Foreign Minister made the point that unless the conversations initiated by the French Government succeeded, Europe would be threatened with grave disorder. He emphasized the psychological importance of a Franco-German accord and that it was essential for nothing to obviate the possibility of a complete understanding between those two peoples; that Germany and France should agree where possible and lay aside questions upon which they could not agree. He then called on Chancellor Bruening to describe the unfortunate results which would follow upon a break in the Franco-German efforts to meet jointly the crisis.

The Chancellor again stressed that he had tried for 15 months to stave off the economic disaster in Germany. He had made stringent economies, had cut the salaries of Government employees to a dangerous minimum, had by decree taxed and burdened the German people until they could not stand any further load. This he explained was to meet Finance Minister Flandin's criticism that Germany should show a willingness to make new economies.

Germany has economized, the Chancellor insisted, but over too short a period with dangerous deflation as a result. The purchasing power of the German people has been decimated with consequent disastrous repercussions not only in Germany but in neighboring countries. To meet this situation and remedy the crisis, Germany needs a loan—short or long term—but even with the loan the Chancellor did not know whether it was possible to stabilize the German financial and economic situation without very grave political repercussions. If Germany fails to obtain loan, it is obvious to see what will happen.

Should only a short-term credit be granted to Germany it would have to be thoroughly guaranteed. The previous hundred million dollars credit was an invitation to the flight of capital and the withdrawal of credits, the conclusion being apparently reached in foreign financial circles that that was all that Germany was good for.

He hoped that the present conversations would lead to adequate financial support for Germany; otherwise the repercussions will be grave in Germany and neighboring countries.

M. Briand added that all the participating powers must make sacrifices to remedy Germany's financial situation.

"If the situation is allowed to run on unchecked the situation throughout Europe will become threatening and highly perilous for everyone".

In concluding M. Laval again reiterated the necessity for international guarantees of the credit and a loan to Germany. He realized that final commitments would have to be taken in London, but France felt it essential to determine in Paris the limits beyond which it was impossible for it to go. France, he repeated, was the only power to make a constructive proposal following President Hoover's moral intervention, and it was thoroughly committed to bringing the conversations to a successful conclusion. However, everything now depended on a reply which the German Ministers would make to France.

The above comprehensive report of the statements at the same conference is practically a stenographic report of just what was said. There was no attempt to cross-examine, challenge or clarify any broad statement. On the part of the American delegates it was felt that this informal meeting was not the place to engage in that type of criticism or defense. The main effort of all of us had been during the last 3 days to assure the presence of the French in London. As will be seen from the statements of Laval there might still be a question in the minds of the French as to their presence at the London meeting tomorrow if the conversations between the French and Germans scheduled for this afternoon as the telegram is being dictated do not result satisfactorily to them or if anything but good feeling prevailed. With this in mind I personally asked Laval at the conclusion of the meeting when he and his associates were going to London. He replied "at 10 o'clock Monday morning".

[Paraphrase.] There have been some indications that the Bank of France is not very pleased about the loan proposal. I sat beside the French Minister of Finance, Flandin, at the luncheon which followed the conference. In answer to my question on the above point he admitted to me in confidence that the rumor was correct. Ever since the French made their proposal of a loan to be participated in and guaranteed in part by the French Government we have been trying to discover the real motive behind the proposal, especially since it became apparent that both the British and ourselves had made it clear that a Government loan could not be considered and the Bank of France itself was not enthusiastic about the idea. The suspicion is strongly held that the French may be standing behind this proposal, which they brought up very frequently at the conference today, so

that in the future they will be able to insist that they were the only ones who actually made a constructive proposition for furnishing cash to Germany, while at present they realize that it would be extremely difficult to put through in view of the attitude of Great Britain and the United States. They therefore feel certain that they would not be asked actually to loan the money. Under the circumstances the only other motive which can be deduced is the desire of the French to appease public opinion in France on the matter of political guarantees which they constantly refer to as necessary and which they well know will not be accepted by the Germans. These thoughts are of course merely speculative.

After the conference a communiqué of a conciliatory nature was issued to the press. I will not repeat it here since it will probably appear in the American press before this telegram is available to you.

I asked Bruening for the latest Reichsbank statement which would warrant the general financial picture which he had given to us Sunday night and which he also gave to the conference this morning. In reply I have just received the following communication: [End paraphrase.]

"Last statement of the Reichsbank of 15th July, 1931. The gold reserve of the Reichsbank at home and abroad was 1,366,000,000, foreign bills in hand, 124,000,000, notes in circulation, 4,162,000,000, liabilities for foreign bills due (*Devisenschulden*) 630,000,000.

Compared with the statement of 7th July, 1931, the gold reserve shows a decrease of 55,000,000, foreign bills in hand a decrease of 246,000,000. Whilst the notes in circulation on 7th July, 1931, were still covered up to 43.7 percent, the cover has now decreased to 35.8 percent.

According to the bank law, the Reichsbank is obliged to keep for the notes in circulation always a cover of at least 40 percent in gold or foreign bills. Under exceptional circumstances, this cover may, by unanimous decision of the general board, be reduced to under 40 percent. In case of such a decrease, the Reichsbank has to pay to the Reich a currency tax which starts at 3 percent and amounts for a cover of less than 33⅓ to 1 percent; to be 1 percent per annum for each percentage which the cover gets below 33⅓ percent.

The bank rate has to be increased by at least one-third of the percentage of the currency tax, that is, should the cover be 33⅓ percent, it would have to be increased by 2⅔ percent should, for instance, the cover fall as low as 24 percent the bank rate would have to be increased on 7th of July to 10 percent. During the last 15 months short-term credits of an aggregate amount which may be put at about 3 milliards have been called back from Germany and more than the half of this sum during the last 3 months. This sudden calling back has severely weakened the German economic system and especially the German credit banks and naturally has caused a decrease of foreign bills in hand at the Reichsbank."]

[Paraphrase.] Mr. Mellon and I discussed with Dr. Bruening in this connection the question of whether, as rumor had it, the Germans would further increase their paper circulation in the event they received additional financial help. Bruening assured us unreservedly that this would not be done. [End paraphrase.]

EDGE

462.00R296/4604 : Telegram

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

PARIS, July 19, 1931—11 p. m.
[Received July 20—9 : 40 a. m.[97]]

462. French and German conferees inform me this evening that following an effort to reach a formula of accord at this afternoon's and evening's Franco-German conversations it was agreed to adjourn any further discussion to London. After a second brief meeting between the two delegates tonight the following communiqué was issued.

"In a recent message the Chancellor of the German Empire [*Reich*] expressed the desire for direct contact with the French Government with a view to finding in common the means of improving the relations between the two countries. The chief of the French Government replied spontaneously that he hailed with satisfaction an interview which was made more opportune by events which had influenced the economic and financial situation of Germany and by the repercussion [apparent omission] that of other countries. Consequently the representatives of the two Governments met in Paris on July 18 and 19, 1931. They were in agreement on the importance of the interview and in understanding that it must be the starting point of a mutually confident collaboration. The Chancellor of the Reich brought to light the different aspects of the crisis from which his country is suffering. The French delegates recognizing the gravity of this crisis declared that under the reservation of certain financial guarantees and on condition of political harmony between the two countries they would be ready to discuss later the terms of financial cooperation in the international framework. The representatives of the two Governments mutually emphasized their will to create between them henceforth to the full extent of their power conditions favorable to fruitful cooperation in the political and economic spheres and they were in agreement as to the necessity of uniting their efforts so that the crisis of confidence might be overcome in an atmosphere of calm and security."

EDGE

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[97] Telegram in two sections.

462.00R296/4616 : Telegram

The Chargé in Great Britain (Atherton) to the Acting Secretary of State

[Paraphrase]

LONDON, July 20, 1931—12 p. m.
[Received July 20—10:42 p. m.]

255. From Stimson. The session of the Conference this evening was opened by MacDonald with a statement, later given to the press, in which he praised President Hoover's courage and statesmanship in proposing the moratorium on intergovernmental debts. At MacDonald's request, Laval followed with a summary of the conversations in Paris and the events which led up to them. As for the conversations between the Germans and the French, Laval also read the communiqué which was issued last night by the French.[98] He gave no additional details but his entire statement was conciliatory in tone and he expressed a sincere desire to reach not only an immediate but a permanent understanding with the German Government. He expressed his satisfaction with the Paris conversations and with the friendly and frank attitude of the Germans. He said that both parties were in agreement on the fact that without cooperation between them there could be no hope of confidence in Europe and that neither the French nor the Germans intended to consider their meeting as an isolated event. Laval took this occasion to remind the conference that the French had made a concrete suggestion, although it was only a suggestion and not a precise plan.

At MacDonald's request Germany's financial position was set forth next by Bruening. Bruening said that the budget had been balanced by the drastic step of the emergency decree of June 5. He said that the President's proposal was of the greatest value and that among other things it had helped Germany pay back a certain amount of short-term credits. However, in July Germany had lost 300,000,000 marks in short-term credits.

Bruening said that a peculiar characteristic of the German financial system was that the covering for their currency was founded on foreign exchange and short-term credits. It was for this reason that the withdrawal of short-term credits was an especially serious matter. He said that in line with the emergency resolution of the Reichsbank directors the reserve had been reduced below the required minimum of 40 percent to as low as 35.8 percent on June [*July?*] 15. He indicated that the German banking difficulties were closely linked with those of other European countries. The present emergency had begun

[98] See *supra*.

with the financial difficulties in Austria and also with certain Dutch banks. He stressed the fact that Germany was doing all she could to help herself and mentioned in this connection the recent emergency decrees. He said in addition that at the very outset of the depression Germany recognized that a weak spot in her system was the dependency of her reserve on short-term credits, and so they utilized deflationary measures almost too rapidly. When they tried to carry out their obligations as long as possible a most dangerous situation was created for the financial system and for the political viewpoints of the German people. In conclusion he urged two remedies: the stopping of further withdrawals, and a safe coverage for their note circulation. He felt that this required a substantial sum of new money. He said that the loan recently made of $100,000,000 had had the strange effect of stimulating withdrawals, since creditors used it as an opportunity to get out. He said that the new credits should amount to approximately $375,000,000.

At this point MacDonald summed up the situation which had been presented to the Conference in the following terms: that the German Chancellor desired to halt any further liquidation of short-term credits and to get a sufficient amount of new credits to furnish an adequate covering for their note circulation; that Laval suggested a loan to Germany conditional upon an agreement with Germany on "certain points" and on international participation in the loan. Both Bruening and Laval agreed to this statement of the case.

Then the meeting adjourned until 10 o'clock tomorrow morning. [Stimson.]

ATHERTON

462.00R296/4594½

Memorandum by the Secretary of State [99]

I called the President this afternoon. I told him that I had arrived here last night and had received his Nos. 218 and 219 [1] containing his views of the stabilization program and that they were exactly what I wanted and were a very great help. I told him that I had been to see the Prime Minister and that he had shown me his opening speech and had talked over their plans; that he had had a conference yesterday with Norman and Leith-Ross [2] and that their program was to stabilize existing credits exactly like the President's plan. I told him that we were going to meet this afternoon and hear Laval and Bruening report on what had happened in Paris and we were then tomorrow

[99] Of trans-Atlantic telephone conversation with President Hoover, July 20, 1931.
[1] *Ante*, pp. 280 and 283.
[2] Sir F. W. Leith-Ross, British Treasury representative.

going to meet and cross-examine Bruening with a view to finding out the exact situation in Germany and that the situation would then develop as to what could be done. He asked me whether I was going to put out his plan tonight. I said no, there would be no opportunity for it, but I told him I had put out the necessity for stabilization in my speech in Paris yesterday and I told him how I had used the illustration of pouring water into a bath tub with a hole in it and the necessity of stopping up the hole.

I told him that there had been an outbreak of hostility against Great Britain and America in the French press that was evidently inspired by the Government and I could not understand what it meant unless it meant France was trying to excite German hostility against us for the purpose of winning Germany to herself. I told him that we were trying to keep our temper and not allow personal attacks to avert [*divert?*] us from the main policy. He said that he did not think that France could get very far with that policy and I said I agreed with him. He then said that his information indicated that France had already drawn her credit out of Germany, so that the stabilization plan could be put into effect without the need of any concurrence or help from France. I told him that I had reached that conclusion myself from what I had heard, that her present short-term credits were so low if we could get the other countries to unite she could not stop the program. I told him of the telegram No. 249, July 20, 1 a. m.,[3] that I sent last night and that Mellon and I had been considering means of avoiding a flight of credit as soon as the announcement of a plan for stabilization was made and we thought that probably an embargo against all withdrawals of money from Germany might be necessary temporarily while the plan was being organized. He said he thought so too. I told him that Gordon [4] had arrived and that his information rather confirmed my statement in my telegram No. 249 that Germany would need more loans even if her present loans were stabilized. I told him that what I wanted him principally to know was that I had found the British in accord with ourselves and that we were working together like two old shoes.

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[3] Not printed.
[4] George A. Gordon, Counselor of the American Embassy in Germany.

462.00R296/4638 : Telegram

The Chargé in Great Britain (Atherton) to the Acting Secretary of State

[Paraphrase]

LONDON, July 21, 1931—7 p. m.
[Received 9:45 p. m.[5]]

257. From Stimson. This morning's plenary session of the Conference opened at 10 o'clock at the Foreign Office. Mr. MacDonald said that the British had no special plan. He said that from the previous discussion there had emerged two points of view: whether a loan to Germany was necessary, or whether the stabilization of credits alone might not be sufficient.

The Chancellor of the Exchequer, Snowden, asked for more complete details on the French suggestion for a loan, which had so far been discussed only in the press. Laval stated that although there had been discussion in Paris of a loan, the immediate question was whether a loan was necessary or desirable. He agreed that the primary necessity was to stabilize credit, and expressed his feeling that this point would be clarified by a general discussion.

Dr. Bruening was then asked by the Prime Minister if he would state his views on what would be needed to halt the flow of short-term credits from Germany. Bruening did not think that a mere understanding that no credit should be withdrawn would be a complete answer. In order that the smaller banks would not continue withdrawals in spite of an agreement by the Central Banks possibly a deposit of rediscount credits or some form of guarantee would be essential. Bruening's figures on the amount of credits held in the United States checked quite accurately with the figures given in your 221 of July 20, 2 p. m.,[6] although he said that in addition to the $400,000,000 held by the principal New York banks, $250,000,000 of credits to small firms, small banks, and municipalities in Germany was carried by American banks beyond the immediate influence of the principal banks of New York. He said that France at the present time held only about 5 percent of the short-term credits of Germany but that England was holding about $400,000,000.

I then questioned Bruening as to what power the Reichsbank might have to prevent the flight of unorganized marks which might immediately occur, as soon as any proposal for relief should receive serious consideration, in order to avoid any penalty such as some banks

[5] Telegram in six sections.

[6] Not printed; it stated that there were $600,000,000 of German short-term credits held in the United States, of which $438,000,000 were held by New York banks.

have been suffering since June 20 while smaller competitors withdrew their holdings. I felt it vital to ascertain whether the Reichsbank had the power to prevent such flight, whether it could exercise such power and whether it would be ready to do so. After a good deal of discussion and the clearing up of some confusion as to my question, Bruening declared that the Reichsbank had this power as an emergency measure, although it was contrary to articles 29 and 31 of the Bank's statutes. He said that since these articles had been passed in accordance with the Hague agreements,[7] any change in them would require international consent and that if this could not be obtained the only alternative would be a moratorium on foreign payments. They would hesitate to take the latter step since the whole credit situation in Central Europe might be disastrously affected thereby. I indicated that any movement for aiding Germany participated in by the great Central Banks with their efforts to organize their membership to restore credits or at least to prevent withdrawals ought also to have the effect of restoring the confidence of unorganized credit and of the smaller banks. Bruening said that this basic step was important but that other actions should be taken. The Central Banks should grant a limited credit to Germany and the covering of the note circulation of Germany should be lowered so that Germany could carry on her economic life. The latter proposal might require a change in the Hague agreements. The financial difficulties of Germany could not be lessened for any considerable length of time without these steps. In reply to specific questions which I put, Bruening ultimately declared that some plan for stopping withdrawals of short-term credits from Germany was the first and most essential step. This should be arranged between the Central Banks and the other banks in foreign countries which hold such credit.

Flandin expressed his belief that it was not desirable to utilize at this time any methods which would require changes in the Young Plan. He believed strongly that if the gold basis of the mark were disturbed a whole new series of difficulties would arise. On the other hand, he stated his belief that if some plan for limiting or preventing further withdrawals of credit could [not?] be devised by the Conference, a moratorium of foreign payments perhaps would not be the worst alternative. Snowden expressed agreement as to the dangers of inflation and saw no method of a partial moratorium. He felt that in the last few weeks the Reichsbank had been doing all that it could and that it had had considerable success in cutting down withdrawals, even though the actions of the Central Banks of Switzerland, Sweden, and Holland had raised problems since they had been drawing very freely

[7] Great Britain, Cmd. 3484, Misc. No. 4 (1930): *Agreements Concluded at the Hague Conference, January 1930.*

on London in addition to their general withdrawals. Snowden did not feel that the necessary cooperation of the Central Banks in London and New York would be difficult to secure and that a recommendation by the Conference would have a strong effect. He believed that the discussion might be brought to a head if the Conference could agree on some statement which would recommend that the Central Banks halt withdrawals of credit and which would also restore confidence and make possible the granting of additional credits. In answer to this suggestion I then made the statement (I have just read the statement over the telephone to the President), a digest of which follows:[8]

"The banks in New York hold 420 million dollars of German short-term credits. The New York banks have not been decreasing the short-term credits since June 20th and as a matter of fact some of the New York banks have actually increased them. Throughout the United States the holdings of short-term credits do not exceed 600 million dollars. We feel confident that if similar efforts are made towards the stopping of withdrawals and the maintenance of the present level of short-term credits by other Central Banks we could within 24 hours get the assurance of a great majority of the banks in the United States who hold short-term credits of their earnest cooperation. But obviously this cannot be done in one country while another country is holding back and there must be general cooperation to bring success in this common cause and there is the danger as to what would happen on mere announcement that this effort was being made while the organization of the plan was going on. It was for this reason that I have just asked Chancellor Bruening what could be done in Germany to discourage withdrawals by one set of banks at the expense of another. In the United States not only can we do it as a part of a joint cooperation but we feel it is the first and principal step that is called for. This would put the world's recuperation upon an economic basis. We have faith in German[y's] economy, in its resources and in the character of its population and the intelligence and energy of its labor and we feel that, given an opportunity to recover from the lack of confidence and the state of panic which has been existing in the world in the past few weeks while one set of creditors were competing with another to withdraw their funds, [there] would result in [effect] a pause and with this pause we might even find the credit increasing and allow for ultimate reorganization.

This proposal to maintain existing credits is putting the horse in front of the cart instead of the cart in front of the horse. It would provide a breathing spell. It would be a chance to appraise the situation and give the German resources a chance to assert themselves under proper economic conditions and make a proper basis for any ultimate reorganization that might be necessary.

The steps taken by France and Germany in Paris have already greatly assisted the situation and helped to make possible the step of ascertaining whether by voluntary organization of the creditors of

[8] Quotation not paraphrased.

Germany, led by the Central Banks of the world, further steps can be taken to check or stop withdrawals.["]

Flandin expressed agreement with this idea of a recommendation to the Central Banks to take common action to prevent further withdrawals of short-term credit from Germany.

Grandi said that he felt sure the Italian banks would do everything possible to assist in a general effort.

Francqui [9] of Belgium felt that the question should not be referred back to the Central Banks just now, since they had just last week finished their Basel meeting by referring the question back to the Governments.

Laval agreed with Francqui that the matter was one for determination by the Governments. He realized that the Central Banks were not part of the Governments, but nevertheless a common recommendation of the Governments would be surely considered seriously by the Central Banks of the nations concerned. He stated further that the Government of France would do everything possible to get the creditors of Germany to execute the American plan. He said that he knew that he would have my agreement that naturally the Ministers of Finance should limit their discussions solely to financial questions, but that there was no reason why they could not go beyond the mere recommendation itself and examine into any methods for restoring confidence. He also wanted to add that France had gone through an experience in 1926 somewhat similar to Germany's present difficulties and that France had reestablished herself through her own efforts. If Germany could only feel that the world at large had more confidence in her, her credit would be reestablished. Laval felt that the French experience should be an encouragement.

It was then decided to hold a meeting of the Finance Ministers of the interested powers at 3:30 this afternoon in order to draw up a formula for some such recommendation. MacDonald will preside in order to insure continuity in the deliberations. Bruening will represent Germany since the German Finance Minister is not present.

The next plenary session of the Conference set for 10 o'clock tomorrow morning will receive the report of the Finance Ministers. [Stimson.]

ATHERTON

[9] Emile Francqui, Belgian representative on the Committee of Experts on Reparations, 1929; Minister of State; Regent of the National Bank of Belgium.

462.00R296/4641 : Telegram

The Chargé in Great Britain (Atherton) to the Acting Secretary of State

LONDON, July 21, 1931—midnight.
[Received July 22—1 a. m.]

258. From Stimson. The events of the day may be summarized as follows:

The result of the full Conference this morning was the appointment of a committee composed of the Finance Ministers to recommend forms of relief with special consideration to the plan of stabilizing at the present levels the short-term credits. This committee met and sat from 3:30 till 8 o'clock. The result of the meeting was the drafting of the following minute for the consideration of the full Conference tomorrow, Wednesday, but without making any recommendations. This minute reads as follows:

"The recent excessive withdrawals of capital from Germany have caused an acute financial crisis. These withdrawals have been caused by a lack of confidence, which is not justified by the economic situation of the country.

In order to insure the maintenance of the financial stability of Germany, which is essential in the interests of the whole world, the Governments represented at the Conference are ready to cooperate as far as lies within their power to restore confidence.

The Governments represented at the Conference are prepared to recommend to the financial institutions in their respective countries the following proposals for relieving the immediate situation:

1. That the Central Bank credit of $100,000,000 recently granted to the Reichsbank under the auspices of the Bank for International Settlements should be renewed at maturity for a period of 3 months.

2. That the Central Banks should be prepared at the request of Reichsbank and on conditions to be agreed with it to rediscount internal German commercial bills from the Reichsbank's portfolio.

3. That concerted measures should be taken by the financial institutions in the different countries with a view to maintaining the volume of the credits they have already extended to Germany.

The Conference considers that if these measures are carried through they will form a basis for more permanent action to follow".

Bruening stated that if the three measures contained in the minute could be adopted he felt Germany might well pull through the present emergency but that all three would be necessary.

[Paraphrase.] From the discussions which took place concerning this draft it appeared that all countries would approve of point No. 1.

Flandin and Snowden said relative to point No. 2 that they would raise at the full meeting certain reasonable objections which were not raised at the committee meeting because of the shortage of time. [End paraphrase.]

As to the third point Flandin and Mellon indicated that their Governments would agree and the British, while not saying definitely that they would not agree, had repeatedly stated in the meeting, first, that it was not clear that their banks could afford to maintain the present credits and Snowden even asked Flandin if France would take some of them over but Flandin refused; and second, Snowden had repeatedly during the meeting said that his Government felt that none of these measures went to the root of the German financial difficulty which was tremendous foreign obligations which she was not able to meet out of her own resources and had been meeting with borrowed money and that no permanent solution could be found unless this situation were revised.

[Paraphrase.] In private talks with us MacDonald has indicated that the British Government might have to take this position. We have already stated this to you over the telephone. [End paraphrase.]

As to No. 2 the Germans stated that the Reichsbank held 1½ billion marks or about 300 million dollars of German commercial paper which was free and had not been rediscounted and they also referred to the indemnity by a thousand industrial concerns as possible additional security. In answer to a question at the meeting Bruening admitted that France had made no withdrawals since June 20, and in fact had completed practically all of her withdrawals during the winter. [Stimson.]

ATHERTON

462.00R296/4670 : Telegram

The Chargé in Great Britain (Atherton) to the Acting Secretary of State

LONDON, July 22, 1931—9 p. m.
[Received 10:20 p. m.[10]]

260. From Stimson. [Paraphrase.] The session this morning was spent in discussing the memorandum which was drafted yesterday by the Finance Ministers and which was quoted in my telegram No. 258 of July 21, midnight.

The Chancellor of the Exchequer, before the general discussion began, made a lengthy speech in which he said that he could not agree with any of the solutions proposed, because he thought they were in-

[10] Telegram in seven sections.

sufficient since they did not go to the roots of Germany's difficulties. These difficulties, he felt, were the political obligations which were weighing Germany down. By that he meant the reparations. He stated that he believed this position accorded with President Hoover's original proposal which got at this aspect of the situation by suspending the payment of reparations for 1 year. He said that while relief to Germany had been brought by this measure, that that relief was not enough, and that the temporary character of the measures now proposed would not aid the situation enough to pay for the risks involved. He said that at the present time the Bank of England could not grant any further credits to Germany. This was because the withdrawals from the Bank of England were still going on at a heavy rate and any promise on the part of Great Britain to give assistance which could not ultimately be met would make things far worse than they are now. In addition he directly attacked the stabilization plan which yesterday he had supported.

To this non-constructive and very pessimistic utterance I replied as follows: [End paraphrase.]

"Mr. President, the Chancellor was good enough to petition my name, or that of my Government, in connection with what he has just said in regard to the third of these paragraphs and for that reason and that reason alone I feel that it is necessary for me to make a statement in the hope of not having any misunderstanding here with the Chancellor or with this meeting. Most certainly if I understood the Chancellor's remarks they do not represent the position of my country, and the interpretation of this third paragraph which I heard him give is not the interpretation which I had of it as represented by the discussion yesterday. There is no question that Snowden and I differ in our conception of the relations of our Governments to the Central Bank in our respective countries; but we were discussing yesterday—and this recommendation is an attempt as I understand it to embody the discussions of yesterday on that point—we were discussing yesterday the means of improving that lack of confidence which we all agreed underlay the difficulties which are afflicting the German Government. We were discussing what steps could be taken to now improve that confidence and the discussion centered throughout the entire morning upon the means which have been, as I understood it, adopted in this recommendation. I have no means of understanding the recommendation except in the light of the discussion yesterday. Certainly yesterday we had no idea of giving a Government guarantee to this matter. We were suggesting as a body of statesmen assembled here so to speak a committee of informal discussion; we were discussing the trouble that is afflicting Germany and the means that might be taken by agencies of Government to remedy the trouble and the one point about which our argument centered was the means of stabilizing these credits to which this third paragraph applies. The Chancellor asked me yesterday what my views were; I attempted to make them clear. Our views were that it was possible for the creditor banks of a country under

the influence and the guidance and the leadership but not the compulsion of the Central Banks, still less the compulsion of the Government, so to regulate public opinion on this matter that these credits could be stabilized and I took the occasion to ask the Chancellor his view then upon the efficiency of this particular step to which paragraph 3 relates and I was so surprised at his remarks this morning that I sent for the minutes on that question and that answer and I find they are reported as follows: I said to the Chancellor 'I think we should enjoy having your opinion upon the subject on the same lines as Bruening was speaking in answer to my question as to whether this was the first and important step, that [is,] to organize a stoppage of withdrawals'. The very subject to which this resolution applies. The Chancellor's answer was 'most certainly I think that is the most important and preliminary step to any further decision that may be taken.['] Now I supposed that we were meeting here to give advice, not to give direction; that we were meeting here to organize the opinion of the world in a hopeful manner upon this great crisis which confronts us and which is focused upon Germany, not to organize measures of Government. Speaking for my own Government we think that the American Government in placing 260 million dollars out of its Treasury at the disposal of Germany, more than two and a half times what any other Government, even the most advanced, has placed at the disposal of Germany; has done all that it could be expected to do for the present at least. What we are talking about now is the best way of organizing the public opinion of the world so as to make it a good banking proposition to keep up those short credits in Germany and if there should go out to the world—I do not mean to use too strong language—such jeremiads as have just issued from the lips of my good friend, I do not think it would help the psychology of the world which we are assisting to raise. Our view is just the contrary. We have not changed it. Our view is as I said yesterday that the condition of Germany is a temporary condition. The resources and the strength of Germany remain unimpaired and they are a good risk barring the effects of the present crisis and the present panic of which all Governments to a certain extent are victims, and the means of surmounting that crisis is a psychological question, a question of restoring confidence, and we are met here as a committee to assist in restoring confidence, not to direct the instruments of Government that do it. Now I am not in any way concerned with the authorship, with the language, of this third paragraph or of any of them but I was concerned with the discussion which took place yesterday which I thought this memorandum was drawn up to embody and I do not intend meticulously to attack or defend the language. If it does not represent what we did yesterday, why, let us change it. I think this entire memorandum could be made more hopeful than it is. I think therefore it could be made more calculated to carry out the purpose for which the Government of Great Britain called us here to consider the situation. I think it could be calculated to carry on the splendid work which was begun in Paris by the meetings of the French Government with Germany. I do not think it is a time to throw cold water on it. I do not think it is a time to take scalps and consider the matter as if we were trying to order our banks to do anything—certainly we are

not in America—but we were gathered here to get the views of the world so far as they could be brought here by the Foreign Ministers and the Prime Ministers of the world and to embody them in a resolution and that is the way in which I look at this paper before us. I am ready to stand for any corrections of it in the matter of language. As I say I had no share in its authorship. I was not one of the Chancellors or Finance Ministers who met yesterday and drew it up but I think that is the way in which we should look at it and that is the light in which it should be criticised. I only make those remarks because I do not wish any misunderstanding as to the position which my Government took on the matter".

[Paraphrase.] Mr. Snowden made no reply and therefore the British voted for the stabilization plan which he had attacked.

At the conclusion of my speech MacDonald said that the Conference was assembled to prescribe remedies for an emergency and not to get at the fundamentals of the situation. Unless something is done creditors everywhere will lose all that they now have in Germany. Therefore we must use the temporary measures now at hand so as to reestablish the confidence which will make more permanent measures feasible.

After this the Conference, which had earlier agreed to the preliminary matter in the report of the Finance Ministers as far as the paragraph numbered 1, adopted paragraph No. 1 (which deals with the renewing of the $100,000,000 credit) subject to some possible drafting changes.

The discussion of paragraph No. 2, which is concerned with the rediscount of internal German commercial bills by the Central Banks, was begun by Francqui of Belgium, who had suggested this provision at the meeting yesterday afternoon. He stated that this action would obviously aid German economic life and that it might even be possible that the confidence which would be created by it would make the use of the provision unnecessary.

The French Minister of Finance suggested that the difficulties foreseen by the Chancellor of the Exchequer on this point might be removed by the guarantee of these bills by the Gold Discount Bank and the newly created industrial guarantee. In this way there might be formed a basis for the resumption of normal economic life in Germany.

The Chancellor of the Exchequer then pointed out that a proposition of this nature would mean expanding the credits of $100,000,000 suggested in paragraph 1 to possibly $400,000,000, since this would be the amount involved in the bills to be rediscounted.

Mr. Snowden said that at present there was nothing to prevent the Central Banks from discounting the bills in the portfolio of the Reichsbank. Nevertheless, he could not recommend any further credits to the Bank of England since at the present moment the Bank

was in no position to extend such credits. As far as he was concerned, therefore, the question of security or guarantees did not arise.

Bruening stated that inasmuch as the question of relations with the Gold Discount Bank was not completely clear, he would have the matter clarified for the meeting of the Finance Ministers in the afternoon. Laval then suggested that the best thing to do at this point would be to leave the second paragraph for later consideration and go on to the discussion of paragraph 3. Paragraph 3 deals with common measures to maintain the volumes of credits, and Laval pointed out that this paragraph was closely connected with paragraph 1.

At this point MacDonald said that he felt that it was only fair that the other states represented at the Conference and concerned in the economic position of Germany should, in order to make relief for Germany easier, share in the burdens which those countries now holding the major portion of the German credits were carrying. These countries were England, which he knew was heavily burdened in that respect, and the United States, which he said could speak for itself. He expressed his opinion that some distribution of this burden would be along the same line as the spirit which moved the various Governments to come to London to discuss the crisis.

Laval said that he was unable to make any recommendation of this nature to the French banks. He did not have the power to control them and he felt that even if he should make such a recommendation it probably would not be followed. He said that the French banks had loaned money at low rates of interest to countries which he thought had then loaned it to Germany at higher rates. While this was perfectly legitimate as a risk that the foreign banks might take, nevertheless France could have loaned directly also if she had desired to take the same risks. He stated his belief that the bankers in France would be greatly opposed to accepting any suggestion that they should now share the risks which they had been previously unwilling to take.

I pointed out that the United States was ready to do her best under her present commitments, but that I felt that the solution of the present crisis would undoubtedly be facilitated by some distribution of the credits held in Europe.

However, Laval felt that he could not change his position in any way. He said that he did not think France was lacking in generosity, for at the meeting of the Bank for International Settlements when the question of prolonging the $100,000,000 credit had first arisen, the Bank of France had completely agreed to prolong it for 3 months, whereas the Bank of England was only willing to extend the period by 1 week.

Consequently the French Government maintained its feeling that it could not go beyond paragraph 3 as it was now drafted. Laval did not see how redistributing the credits already granted to Germany would be of any particular aid to Germany in its present difficulties. Still, as he had previously stated, he was willing to do his utmost in this crisis.

I said that I had endorsed the suggestion of Mr. MacDonald for the United States, because I believed that it was a fair suggestion for meeting the crisis which is now confronting Germany and the whole world. However, since the discussion had already been prolonged I wanted to point out once more that the United States had not deviated from the position that it was willing to take every step to see that the credits which are now held in the United States should be maintained.

Then I pointed out that the discussion had apparently reached the place where expert advice of banking authorities was required. I therefore submitted a proposed form of a resolution which might be used as a basis for discussion by the Finance Ministers. This proposed resolution reads as follows: [End paraphrase.]

"That the Conference recommends that a committee be appointed without delay composed of a representative selected by the Central Bank of each of the nations represented at this Conference to undertake to organize cooperation for the following purposes:

(*a*) In consultation with the banking interests in the different countries to endeavor to provide for the maintenance of the present volume of outstanding short-term credits from these countries.

(*b*) To make inquiry into the immediate further credit needs of Germany.

(*c*) To develop during course of the next 6 or 8 months plan for a conversion of a portion of the short-term credits into long-term credits".

This draft was referred by the Conference to a meeting of the Finance Ministers to be held at 4 o'clock this afternoon and after which the text of paragraph 3 was adopted by the Conference in its exact form subject to such minor drafting changes as the Ministers of Finance might propose.

The Conference adjourned until 10 tomorrow morning when it will hear the report of the Finance Ministers who are to meet this afternoon at 4 o'clock to consider:

1. The redrafting of the memorandum drafted yesterday afternoon in the light of today's discussion,
2. A proposal which Doctor Bruening was to prepare for a substitute for subsequent developments, and
3. The draft resolution which I submitted for the setting up of a banking committee to consider certain matters.

[Stimson.]
ATHERTON

462.00R296/4671 : Telegram

The Chargé in Great Britain (Atherton) to the Acting Secretary of State

LONDON, July 22, 1931—midnight.
[Received July 22—10: 52 p. m.]

261. [Paraphrase.] This afternoon the Committee of Finance Ministers met, and after a long discussion at which many problems were raised, passed by unanimous vote a resolution which will be recommended for the acceptance by the plenary meeting of the Conference tomorrow morning: [End paraphrase.]

[Here follows, with some minor verbal differences, the text of the Declaration as formally adopted by the London Conference, printed *infra.*]

You will note that this includes the measure recommended by President Hoover for the stabilization of existing credits as well as his recommendation for the appointment of a committee of bankers to make a study along the lines suggested. The proposal brought forward yesterday relating to the further rediscount of internal German commercial bills was eliminated and in its place was substituted the paragraph relating to the possible use of the joint guarantee by German industry.

[Paraphrase.] Tomorrow there will probably be added a paragraph which will contain an assurance on the part of the German Government that it will do everything it can to stabilize conditions.[11] It is practically certain that the resolution will be accepted by the plenary meeting of the Conference.

Undoubtedly the principal difficulty which had to be overcome today was the reluctance on the part of the British to accept the proposal for stabilizing present credits in consideration of the strain which their own banking system is undergoing just now.

Outstanding features of the meeting were the good feeling which prevailed and the sincerity with which all of those present seemed to be making a genuine effort to find a solution to the problems confronting them. [End paraphrase.]

ATHERTON

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[11] This statement, which was read by Chancellor Bruening for the record of the Conference but was not incorporated into the final Declaration, reads as follows: "The German Government declare that they will do their utmost to maintain the monetary and economic stability of Germany, but, in so doing, they are counting on assistance from the world." *The London Conference, July 1931: Proceedings and Memoranda,* Minutes of the Fourth Plenary Meeting held July 23, 1931, at 10 a. m., p. 11 (462.00R296/5209).

462.00R296/4821

Declaration of the London Conference, 1931 [12]

The recent excessive withdrawals of capital from Germany have created an acute financial crisis. These withdrawals have been caused by a lack of confidence, which is not justified by the economic and budgetary situation of the country.

In order to ensure the maintenance of the financial stability of Germany, which is essential in the interests of the whole world, the Governments represented at the Conference are ready to co-operate so far as lies within their power, to restore confidence.

The Governments represented at the Conference are ready to recommend for the consideration of the financial institutions in their respective countries the following proposals for relieving the immediate situation:—

(1) that the Central Bank credit of $100 million recently granted to the Reichsbank under the auspices of the Bank for International Settlements, be renewed at maturity for a period of three months:

(2) that concerted measures should be taken by the financial institutions in the different countries with a view to maintaining the volume of the credits they have already extended to Germany.

The Conference recommend that the Bank for International Settlements should be invited to set up without delay a Committee of representatives nominated by the Governors of the Central Banks interested to inquire into the immediate further credit needs of Germany and to study the possibilities of converting a portion of the short-term credits into long-term credits.

The Conference noted with interest a communication from Dr. Brüning relative to the joint guarantee recently placed by German Industry at the disposal of the Gold Discount Bank. The Conference are of the opinion that a guarantee of this description should make it possible to provide a sound basis for the resumption of the normal operations of international credit.

The Conference consider that, if these measures are carried through, they will form a basis for more permanent action to follow.

J. RAMSAY MACDONALD,
President of the Conference.

M. P. A. HANKEY,
Secretary-General.

JULY 23, 1931.

[12] Approved at the final session, July 23; copy transmitted to the Department by the Chargé in Great Britain as an enclosure to his despatch No. 2141, July 28; received August 5.

462.00R296/4701 : Telegram

The Acting Secretary of State to the Chargé in Great Britain (Atherton)

WASHINGTON, July 23, 1931—1 p. m.

234. For Secretary Stimson.

"I wish to convey to you my sincere congratulations. My appreciation is the deeper from knowing the complexity of the difficulties which confronted you over the past 10 days and the able manner they have been surmounted. I hope you may now secure a real rest. Herbert Hoover".

CASTLE

462.00R296/4880 : Telegram

The Consul at Basel (Cochran) to the Acting Secretary of State

BASEL, August 8, 1931—10 p. m.
[Received 10 : 10 p. m.]

The committee of ten nominees of Central Banks assembled at the B. I. S. this evening.[13] McGarrah [14] opened the session. Wiggin was chosen permanent chairman. The committee examined the information submitted by the two B. I. S. officials, Blessing and Rodenbach, who have been assigned to the committee as secretaries and who have returned from a visit to Berlin where they sought certain preliminary data from the Germans.

French with Belgian support argued today in favor of limiting work of the committee strictly to short-term credit situation. They consider question of long-term lending at present academic. They desire studies to cover only the period of the Hoover moratorium without touching on the Young Plan, reparations, war debts, et cetera.

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[13] The committee, set up in accordance with the recommendation of the London Conference, consisted of the following members: nominated by the Bank of Italy, Signor Alberto Beneduce, President of the Consorzio di Credito per le Opere Pubbliche, Rome; nominated by the Swiss National Bank, Dr. R. G. Bindschedler, Vice-President of the Board of Directors, Crédit Suisse, Zurich; nominated by the Netherlands Bank, Mr. P. Holstede de Groot, Managing Director, Amsterdamsche Bank, Amsterdam; nominated by the National Bank of Belgium, M. Emile Francqui, Vice-Governor of the Société Générale de Belgique, Brussels; nominated by the Bank of England, Sir Walter T. Layton, C. H., C. B. E., Editor of the *Economist*, London; nominated by the Reichsbank, Dr. Carl Melchior, partner of M. M. Warburg & Co., Hamburg; nominated by the Bank of France, M. Emile Moreau, former Governor of the Bank of France, President of the Board of Directors, Banque de Paris et des Pays-Bas, Paris; nominated by the Bank of Sweden, Mr. Oscar Rydbeck, Manager, Skandanaviske Kreditaktiebolaget, Stockholm; nominated by the Bank of Japan, Mr. T. Tanaka, representative in London of the Bank of Japan; nominated by the Federal Reserve Board, Mr. Albert Wiggin, Chairman of the Board, Chase National Bank of New York.

[14] Gates McGarrah, President of the Bank for International Settlements.

The committee feels that its work cannot well advance until the so-called Still stand [*Stillhalte*] question [15] is settled and they are considering inviting representatives from the countries having credits in Germany to confer with them in regard to effecting arrangements for prolonging such credits.[16]

The committee will continue for the present to sit at Basel, the next session will be held Sunday August 9, 11 a. m., when Melchior will begin an exposé of the German situation to be continued Monday afternoon after the committee has had an opportunity to study the detailed documents.

Blessing, a German subject, is acting as secretary, Rodenbach, a French citizen, and also one Englishman are the two assistants.

COCHRAN

462.00R296/4947a

The Secretary of State to President Hoover

SCIBERSCROSS FARMHOUSE,
ROGART, SCOTLAND, August 11, 1931.

DEAR MR. PRESIDENT: We are far enough away from the London Conference now to enable me to try to give you a birdseye picture of it from this end. I have been somewhat disturbed by the American press accounts which I have now received concerning the alleged misunderstanding between you and me, and although your kind telegram of congratulations [17] is a reassurance, I should like you to know exactly the situation which Mr. Mellon and I faced in the Conference and which determined our course.

On July 15, the day I arrived in Paris, you told me over the telephone, as you doubtless remember, of the extreme gravity of the situation; how you felt that everything depended upon the holding of a Conference of Ministers in London with the French present, and a successful and harmonious joint solution to be arrived at by that Conference. The seriousness of your words deeply impressed me and I took that statement as the general mission and objective for which you wished me to strive. Henderson, who had arrived in Paris before me, had already made a quick and wise decision at an informal conference with Laval to give up his own trip to Berlin on condition that the French would come to London. But I very soon found there was still great danger that they would not actually go.

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[15] The question of prolonging the existing volume of short-term credits in Germany.

[16] On August 11 invitations were extended to private bankers in various countries (462.00R296/4915).

[17] See telegram No. 234, July 23, 1 p. m., to the Chargé in Great Britain, p. 314.

I found that Henderson, who is not a financier, had imperfectly grasped the nature of the French proposal of a government-guaranteed loan, and, on the other hand, that his home Government, under the influence of Norman, were extremely suspicious of the good faith of the French, and believed that the whole French proposition was a mere bluff to serve as a bait to give them an opportunity to extort extreme political concessions from Germany. Accordingly, the British Government were fearful that Henderson was having his leg pulled and were sending him rather rigid instructions which, in turn, were tending to arouse friction between him and the French.

My first step was to make it clear to the French that we could not join in guaranteed loan and to do this without giving them an excuse of throwing up the whole conference and saying that it was our fault. Laval's attitude at the first conference, when this matter was discussed and where he accepted our position and yet consented to go on, suggesting for further discussion a compromise proposal which left us free from any government guarantee, was strong evidence in my mind of his sincerity and of the exaggeration of Norman's fears. But by this time Henderson had become frightened and when Laval asked to have further preliminary conversations at Paris, telling us frankly that he desired them merely for the purpose of preparing the mind of his own people so that they would accept the final result of a subsequent conference, which they might otherwise reject for the reason that it was held in London, Henderson made Laval's course as difficult as possible, and I became gravely alarmed lest the whole thing should fail. Laval had never been out of France to a similar conference and was thus facing a situation entirely new to him. On Saturday, July 18, I went to see him entirely alone and in an informal talk took occasion to tell him that from my previous experience with MacDonald in the Naval Conference I felt confident that he, Laval, could expect perfectly fair treatment. After the Conference in London was all over, Laval reverted to this talk with me with expressions of gratitude. I am inclined to think it was one of the determining elements which induced him to go at a time when he was wavering.

In the conference on Sunday, July 19, at which, in addition to us and the British and Germans, the Belgians and Italians were also present, I stated the substance of the American position, pointing out that stabilization of the short-term credits was in our opinion the indispensable preliminary step before any additional credits should be considered, and using on the spur of the moment the illustration of the leaky tub, which at once caught the attention of the other delegates and through them got out into the press. In that meeting Laval formally announced the date of his departure for London. By the

time I had left Paris on Sunday afternoon, July 19, I had satisfied myself that Laval was not playing the deep game of duplicity which Norman had charged him with, but I was not at all sure whether the French might not stubbornly insist upon their loan proposition with all the risk involved and make it necessary for us to have a standup fight with them before the Conference in London. The effect of such an issue would in any event be lamentable and might entirely wreck the rehabilitating purpose of the Conference.

Furthermore, both Mellon and I had been strongly impressed by the gravity of the situation in Germany which was disclosed to us by Bruening on Saturday night, and, while we did not waver in our concurrence with you that the stabilization of existing loans was the essential first step, we were much troubled as to how long the Bruening Government could hold out under the stimulus of that program alone. Bruening had insisted that it might really be only a matter of a few days. In order to acquaint you with this situation, we wrote you on the train on Sunday evening the warning cable which you must have received on Monday.[18]

We reached London Sunday at midnight and Monday morning, July 20, your detailed proposal contained in cable No. 218 of the Department of State[19] was placed in my hands in London for the first time. It was an admirable statement of the proposition for which we had already been arguing in Paris and was used by me throughout the Conference as my trial brief.

Monday morning I called on MacDonald and talked over with him the plans for the Conference. I found that he was already familiar with what had taken place in Paris, having received through Henderson the notes of the three conferences there. He was quite familiar with our proposition as to the stabilization of credits and quoted to me my tub illustration with approval. He then showed me confidentially the draft of his opening speech to the Conference in which at the close he alluded to the two relief plans before the Conference, viz., the loan plan and the stabilization plan. He told me that he thoroughly agreed with us and that his Government under no circumstances would or could consider a guaranteed loan. He accepted an amendment which I suggested to his opening speech, eliminating a statement which I thought provocative to the French.

Thus, at the time when we entered the actual Conference in London, the chief problem which I had to face was to secure the consent of the French to a program which was acceptable to the British and probably the other minor countries. This had to be done in the face of the fact that the French had a different constructive proposition.

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[18] No. 249, July 20, 1 a. m.; not printed.
[19] *Ante*, p. 280.

Furthermore, it was necessary to accomplish this in a way which would not produce the appearance of a sharp difference of opinion, as well as a holding back by us and the British from aid which the French were ready to give. The situation was complicated by the fact that Bruening himself thought that our program was inadequate.

Just at this juncture, on Monday evening, you called me up and told me that some newspaper report from New York had represented me as endorsing the French loan position and suggesting that you "make a hundred-word statement" to dispel that idea. I replied that the situation was so delicate that I hoped you would not do so; that the following day, Tuesday, would be the crucial day, and I feared the effect of any outside governmental statements, at least until after that session. You acquiesced. Shortly after, Castle called me up and renewed the suggestion, saying that Mills rather insisted on the statement being made. I again insisted that it should not be done, and I accordingly entered the Conference Tuesday morning feeling assured that nothing was coming from Washington to disturb the delicate situation which I believed I faced.

The session Monday evening was occupied with merely the preliminary address of MacDonald, a report by Laval of what had taken place in Paris, and a statement by Bruening of the condition of Germany.

On Tuesday morning, July 21, at ten o'clock we met for the first real discussion. I had risen at six o'clock and on the basis of your cable of instructions, which I had received the day before, prepared the minutes of a speech setting forth the American proposition in case it should be needed. By that time, however, I had made up my mind that the French were gradually losing faith or interest in their loan proposition and if let alone would probably allow it to die, and I decided on the basis of that that it would be wiser not to run the risk of nagging them into a rehabilitation of their plan by any dramatic announcement of our plan. When in Paris I had found the ground swell of French acrimony against us for having sprung the moratorium proposal on June 20 to be still very bitter—unfounded and unreasonable as that feeling was. Furthermore, I had vividly in mind how the French delay in accepting your debt suspension program had practically destroyed its recuperative momentum and had brought on the present crisis. I therefore believed that it was of the utmost importance that the present Conference should be brief and harmonious, and that depended entirely upon swinging the French along with us from the very beginning. All of this gave me my warning and decided me in favor of introducing our proposal to the Conference in the most unobtrusive way possible. When the Conference opened Tuesday morning, fortune played into our hands, and I found my

guess about the French was correct. MacDonald in his opening remarks referred to the two propositions which had been advanced in Paris, the loan proposition and the stabilization of existing credits. He offered the French an opportunity to discuss their loan proposal. They hemmed and hawed and sat silent. Snowden, who has a talent for making mischief, tried to goad them into a defense of it by some rather critical questions about it which he addressed to them. MacDonald came to the rescue by calling upon Bruening to give his views as to Germany's need. After he had made a short statement I saw my chance and taking Bruening in hand as if he were a witness in court, I led him along until I got him to admit that a stabilization of the existing loans was in his opinion a primary and indispensable step in the solution of Germany's condition. When Snowden broke in again, I took him in hand and finally brought him to the same admission. Then Snowden asked me my views and I then stated your entire proposition as well as I could in my own language and adapted to the previous discussion which had taken place. Thus, when the session ended, your proposal had been brought out before the Conference in the most natural and inoffensive way; Bruening and Snowden had both been made to admit that it was at least the first indispensable step to be taken and the French loan plan was dead without having been killed by anybody except themselves.

When I got back to my hotel that afternoon and went into my press conference I was bombarded by all of the correspondents with the news that the State Department at Washington had announced the previous day, Monday, that "a *new* American proposal" would be made by me in the Conference on Tuesday morning and that the terms of this proposal were already on the wire coming to London. I was at a double disadvantage, first, because after my talk with you and Castle over the telephone I did not expect any statement whatever to be either announced or given out without further notice and did not know what "a new proposal" meant; second, because the meetings of the London Conference had been in executive session and I felt under an honorable obligation not to divulge the details of what had taken place. Your instructions in cable No. 218 had expressly left it to my discretion how the American proposal should be introduced. I had in fact, as I have said, been using them as my trial brief. I therefore could not understand why they were being made public, and, in fact, had received no previous notice whatever that they were being so made public. My press conference was therefore rather a tumultuous proceeding, the correspondents insisting that this statement was already on the wires, and I had to disclaim any knowledge of it and yet was disqualified from telling them exactly what had happened in the meeting.

That I had not been entirely mistaken in my apprehension as to the effect which such a statement might make upon the French, if intro-

duced as a formal proposal into the meeting, was rather confirmed by the effect which the news of the statement in Washington made upon their delegation in London. I was informed that afternoon that it created among them great confusion and consternation, and that for a little while they were thinking of returning to Paris. Fortunately, the meeting of the Conference had been ended in a harmonious spirit and before the next morning came everybody had settled down to the realization that no coup was being attempted and that the statement in Washington was merely intended to cover the same matters which we had discussed in the meeting.

On Tuesday afternoon the committee meeting of all the various Finance Ministers was held to draft a statement of our conclusions for the final action of the conference. Mellon represented us at this meeting. On my suggestion he carried with him into this meeting a copy of cable No. 218, in order that he might use it as I had in the general meeting as a guide for his action. When he returned from his labors in the evening he brought a proposal of three points which included, in addition to the stabilization of short credits and the extension of the $100,000,000 loan, a proposition for the rediscount by the various central banks of commercial paper now held by the Reichsbank secured by an indemnity fund which had been already raised by German industry. Bruening had declared in Mellon's meeting that with these three points he could face his country with hope of success. Without the last one he could not. Mellon and I thought that with the aid of the guarantee funds the third proposition could be turned into a banking proposal of perhaps at least as much financial merit as anything that had been discussed. But when I called you up on the telephone you told us that our Federal Reserve Bank would not consider the proposition and that it must be dropped.

The following day, Wednesday, July 22, the plenary meeting of the Conference in the morning was occupied in repelling attacks on our program which had developed during the night. The British had become very pessimistic owing to withdrawals from the Bank of England and Snowden opened the proceedings by an attack upon the entire program, including the stabilization of short-term credits, which he had supported the day before. I answered him and restated our readiness to go ahead with that program and rather squelched him by reading to him the minutes of his statement the day before when he had so heartily supported the program he now denounced. MacDonald ineffectively tried to get the French to take over some of the British short-term loans to Germany. Towards the end of the session I introduced the motion for a committee which had been suggested in your cable of instructions.

Wednesday afternoon the Committee of Finance Ministers again met to conclude their draft of the proposal and this time they invited me to sit with them. We concluded the draft practically as it was adopted the following day and on Thursday morning in the plenary meeting the Conference was wound up. The results of their labors announced in their formal declaration embraced your entire program, I think, without any substantial omission whatever.

Friday morning, July 24, before he got away, I had a talk with Laval upon which I have already reported to you. It was of a most friendly character and the promises which he then voluntarily made to me as to the action which he proposed to take with the Bank of France in respect to withdrawals from England seem, as far as I can tell from the press and from MacDonald, to have been fulfilled to the letter. Laval's statement of the friendly and satisfactory character of his talks with Bruening have since been confirmed to me by Bruening when I went to Berlin. My present impression is that in Laval we have a hopeful figure for the future in respect to French policy. Briand is failing, but unless I am greatly mistaken we can hope for Laval to give to moderate French policy a new leadership. His attitude throughout these conferences and in his private talks with me was in refreshing contrast to the viewpoint of Tardieu with whom I also talked.

At Berlin, as I have already reported, I had a series of very frank talks not only with Bruening and Curtius but with other members of their Cabinet, including particularly the Minister of War, and also with President von Hindenburg.[20] So far as the financial crisis was concerned, those talks were confined to my impressing it strongly upon them that they could expect no further help from us and what in our opinion was chiefly needed was resolution and courage on their part. I told them what remained was a banker's proposition and that no banker would lend money to a man who announced that he was broke. I asked Bruening if in 1918, when he was holding a machine gun post against an advancing enemy and received discouraging rumors, he would have poured out these rumors to men and he said, "Of course not." I told him I thought the same spirit was required by him now. I expressed to Hindenburg the hope that Germany would show the same courage in dealing with the present situation that he himself had shown after the Hague Conference on the Young Plan when he had announced that Germany must stand on her own legs and carry out that plan.

Most of my conversations with the Germans, however, related not to financial matters but to disarmament. In those I went very frankly

[20] See pp. 552–555.

into what was the American attitude towards militarism not flinching from telling them how we felt towards them in going into the last war and applying it to our probable view as to any new militarism which should now come in Europe. I told them that they had in my opinion a very strong case for reduction in armament on the part of the rest of Europe arising out of their own present defenselessness, and that that situation was bound ultimately to win the sympathy of all impartial nations unless the Germans complicated it by new and unwise construction of their own.

On the whole I was very glad that I had come to Berlin, although I was there only two days. It gave me an opportunity for making our position clear and for receiving very frankly the views of the German Government, and, in addition to that, I spent Sunday, July 26, in company with Bruening going through the holiday crowds in and about Berlin and getting a firsthand impression of the German people at this moment. This was reassuring.

On my return to Great Britain I have had several further talks with MacDonald and Henderson. MacDonald has visited me here at Sciberscross Farmhouse, where I am staying in Scotland, and during his visit of two days I had very helpful talks with him on the subject of future policy as to disarmament.[21] These were so long that I shall not try to enumerate them in this letter. In substance, however, the British have had a tri-party committee of Parliament at work for six months preparing for the Disarmament Conference next winter. This committee has contained in its membership the leaders of all three parties, including among others not only MacDonald, Henderson and Alexander of the Labour Party, but Lloyd George, Samuels and Philip Kerr representing the Liberals, and Chamberlain, Hoare and Inchcape and Eden representing the Conservatives. This committee, after getting reports from all the military services and from the Foreign Office has embodied its conclusions as to British policy in the Disarmament Conference in a resolution. MacDonald has placed in my hands, confidentially, this resolution and a number of the reports made to the committee on which it was based. At his visit to me we discussed them in great detail. He also discussed with me the steps which he has already begun taking to further the solution of the vexing political questions which lie as obstacles in the path of the Disarmament Conference. It has been on his suggestion that a series of visits between the Prime Ministers and Foreign Ministers of Britain, Germany, France and Italy has been undertaken beginning with the visit of Bruening and Curtius to Chequers last June. He told me what he hoped would be discussed at these conferences and on my return I should like to talk them over with you.

[21] See pp. 514–517.

I have been now ten days in Scotland and am feeling very much refreshed and rested. I have taken my return passage on the *Leviathan* on the 28th of this month and hope to reach Washington full of new life and vigor for the coming year. I only wish that instead of the heat of Washington you might be now getting a little of the cool mountain air which I am breathing.

Faithfully yours, HENRY L. STIMSON

462.00R296/4975 : Telegram

The Consul at Basel (Cochran) to the Acting Secretary of State

BASEL, August 19, 1931—10 a. m.
[Received 10:40 a. m.]

So-called still stand representatives reached an agreement [22] at midnight which provides for the continuation up to the total of outstanding credits to German debtors for 6 months from the date of signing the agreement subject to the B. I. S. and associated Central Banks renewing their existing credits to the Reichsbank for a similar duration. German Gold Discount Bank to provide limited guarantees. By Government decree or otherwise it will be secured that foreign creditors of German banks receive equal protection to that of creditors residing in Germany. B. I. S. has agreed to set up a committee to deal with any differences arising from the agreement.

The report of the Committee of Ten was signed at 1 a. m.[23] B. I. S. is forwarding copies of this, together with the agreement of the still stand representatives as an annex, to MacDonald and to the governors of the 10 Central Banks represented by the original committee. The report of the latter recommends:

(1st) that the existing volume of Germany's foreign credits should be maintained;

(2d) that part at all events of the capital which has been withdrawn should be replaced from foreign sources;

(3d) that any additional credits provided should be in the form of a long-term loan and that such parts of the existing short-term debt as may suitably be treated in this way should be converted into long-term obligations.

The report states that the present Government has given proof of its determination in difficult circumstances to put Germany's finances

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[22] Agreement between the German Banker's Committee and Germany's Foreign Bank Creditors; text printed in *The Financial News*, London, September 15, 1931. This agreement became operative for a 6 months' period calculated from September 1, 1931. It was subsequently extended an additional year.

[23] For text, see *Moratorium on Foreign Debts:* Hearings before the Committee on Ways and Means, House of Representatives, 72d Cong., 1st sess., on H. J. Res. 123, pp. 27–43.

on a firm basis and that if the policy is rigorously pursued it will greatly contribute to the improvement of Germany's credit. The report appeals to the Governments of the world that before the expiration of the credits whose prolongation was recommended by the London Conference they give to the world the assurance that international political relations are established on a basis of mutual confidence which is essential to economic recovery and that the international payments to be made by Germany will [not] be such as to imperil the maintenance of her financial stability. The report also points out that Germany's case illustrates the futility of an international financial system involving the payment of large sums by debtor to creditor countries while at the same time putting obstacles in the way of the free movement of goods.

COCHRAN

462.00R296/5016

Memorandum by the Acting Secretary of State of a Conversation With the German Ambassador (Von Prittwitz)

[WASHINGTON,] August 21, 1931.

The German Ambassador came in to report to me about his recent trip to Germany. He said that conditions were very bad, as we all know, but that if the President's proposal had been promptly accepted, he felt the upward trend would have come before now. He arrived in Berlin just about the time the proposal was announced and he said he never saw such happiness among the people as he saw at that time.

The Ambassador then said that it was, of course, obvious that something must be done before the end of the year of postponement because, even though Germany was able to carry on and make good with the load removed, it would not be able suddenly to begin on July 1932 the heavy reparation payments, plus the 10% of the payments postponed this year. He admitted that this extra 10% did not begin immediately. He said there were two methods, in the opinion of his Government, by which this situation might be met. One was the calling of an international conference to discuss the whole question of reparations and debts, including possibly political questions, as has been suggested by the Wiggin Committee. The other is an appeal by Germany to the committee authorized by the Young Plan to re-examine capacity to pay.[24] He said that his Government did not want to propose either of these methods until it could have the advice of the American Government. I told the Ambassador

[24] See pp. 332 ff.

that we knew that some discussion would have to occur before the end of the year of postponement, but that we could hardly give advice as to the best method. I said, however, that it was hardly probable that the United States would be involved in either method; it was clear that we would not take part in any conference which was going to discuss political matters and it was quite clear that any international conference called to work out the problem of debts and reparations, it being understood that we did not admit any relation between the two, would be the kind of thing that this Government would keep out of. I told him that I was willing to say personally, without in any way speaking for the American Government, that for me the simplest way out was almost always the best way. In other words, that where machinery was already provided it was best to make use of that machinery. I told him that I had really always taken for granted that the German Government would appeal before the committee provided for under the Young Plan. The Ambassador said that he felt himself this was very much the best method and that he should urge his Government to adopt this method.

He then asked me whether I should be willing to advise him as to the time when this appeal should be made. I told him that again he was asking something which he really had no right to ask. He said the reason he did so was that he felt that, if the German Government should move now, it might have a bad effect on Congress when it comes to consideration next December of the President's postponement proposal. I told him that I was not worrying about this angle of it, although it was possible that a German appeal at this time might have a bad effect politically. I said what appealed to me was the effect it would have on popular opinion as regards Germany in this country. I told him that the American people wanted to see that the German people had the courage to work out their own problems, at least for the time being, without making any more appeals to the world. I reminded him that, if a request was made after the first of next year for a re-examination of German capacity, there would still be six months before the completion of the term of postponement, which obviously gave plenty of time, that I felt the whole world would have far more sympathy with Germany if, during the next three or four months, the Germans would courageously try to work out their salvation, that this would be of greater use to Germany in building up popular morale and that it would be of greater use in encouragement in the world economic situation which, after all, was, to some extent, a result of bad psychology and was depressed every time any nation made an appeal for help. Again the Ambassador said he agreed and that he would so communicate with his Government.

462.00R296/5215½

The Ambassador in Germany (Sackett) to the Secretary of State

BERLIN, 3 October, 1931.

MY DEAR MR. SECRETARY: I was invited by Chancellor Brüning Thursday afternoon, October 1st, to have tea with him alone in his residence and I found that he wanted to go over with me the situation as it had developed since your visit here. As his conversation contained his personal opinions I thought it was better to send it in the shape of a letter than have a despatch go through embodying these rather confidential matters. However, I am enclosing an extra copy of this letter to the Under-secretary, Mr. Castle, in case you should be absent from Washington.

I was with the Chancellor the better part of an hour and he was very frank in discussing the French visit [25] and his impressions, as well as the financial situation to-day and the difficulties which would have to be faced in the future. He was pleased with the French visit and thought that it laid a foundation of good feeling from which a considerable improvement in economic relations between the two countries could be anticipated. He told me that no matters of political import were mentioned by the French or by the Germans under an agreement to confine the conversations for the present to economic subjects, as the political matters were of a nature so delicate that the present state of feeling, in France at least, could not be counted upon for support.

He said that he and Laval talked to some extent about the coming visit of Mr. Laval to Washington.[26] He told me, however, that he feared you would find Laval adamant on the question of disarmament. It was evident to him that the French Government felt that they could not maintain themselves in office if they recommended any lessening of armaments on the part of France; that M. Laval declared the French people looked upon the French Army and Navy as the sole reliance in a coming struggle against Bolshevism throughout Europe and that the French peasant would never accept the doctrine of Bolshevism and demanded protection to the fullest against it. I asked Dr. Brüning if the French officials held personally the same view they ascribed to the peasants and he said that he thought they did. I then asked him if he thought the reason given—fear of Bolshevism—was the controlling influence of the French attitude. He smiled rather broadly and said that if I asked his private opinion he did not think it was; that he thought there was a fear that any diminution in the French protection might invite hostile combina-

[25] On September 28–29, M. Laval and M. Briand had visited Berlin.
[26] See vol. II, pp. 237 ff.

tions of other countries in Europe which would be dangerous to the French. He spoke of the unfortunate condition which nearly always arose, when a country had become powerful and rich, and feared the jealousies of other countries and said it was a repetition of history.

He spoke also of his conception of the French attitude on the question of reparations, intimating the French appeared willing enough to give up their share of reparations which in turn would pass to the United States of America, but were far from any willingness to yield on the nonpostponable portion, though he was careful to say that in their discussions no definite statements took place concerning reparations, as the subject had a political background. Neither was anything said of boundaries or treaties.

Dr. Brüning then went on to rehearse the recent developments of the situation in Germany financially. While the "Stillhaltung" has now been signed by all parties and is in effect, there is still a very decided drain continuing on the bank reserves. In fact the Friday statement (October 2, 1931) of the Reichsbank, which came immediately after our conversation, shows that the covering of the currency had dropped from 40.1 per cent to 31.2 per cent within a week. Chancellor Brüning anticipated this most unfavorable result at the time of our conversation, but in particular he said what worried him more than that was the appearance, since England gave up the gold standard, of continuing withdrawals from savings banks in all parts of Germany, which had become quite emphatic during the last week. This creates a difficulty from loss of confidence which it is very hard to overcome—if it can be done at all. He had spoken of that to Monsieur Laval and Laval had told him that a similar situation was developing in France and that many peasants of means were purchasing gold bars and storing them away in lock boxes. Dr. Brüning says it indicates the wealth of the French peasant when those bars are worth about 250,000 Francs. This slipping of *devisen*, gold cover, and savings accounts comes on top of a very decided shrinkage in tax revenues of Germany. The fact that people are not making money affects the returns from the income tax and in addition many people are in a financial condition where they have no money to pay taxes which they actually owe. The actual balancing of the budget becomes a very difficult matter and one for which he cannot yet effect the solution. He feels that he has imposed almost the limit of taxation and that further measures in that direction would create the greatest unrest and antagonism and result in the resignation of the Cabinet.

He told me that the time for him to present his next year's budget is not later than December 15th, though it might be possible to hold it, he thought, until January 15th, by which date he would have to disclose in the Reichsrat the program for the coming year, both from

the disbursement and from the income sides. He told me that there were two things in connection with presenting this budget of the utmost importance if Germany were to carry on. One was that the "Stillhaltung," i. e., the credits which under that agreement remain in Germany for a period of six months, will have to be extended. That there is no possibility of these credits being then collected as they represent to-day practically the working capital of the industries of the country. In the second place, unless he can get further relief from the reparations payments beyond the year of the President's present moratorium he does not see how it is possible for Germany to go through. The embarrassing part to Dr. Brüning is that unless he can know by the time his budget is presented that reparations can further be postponed and unless he can know that the "Stillhaltung" will be extended, he cannot present a budget that will show a balance, for the amount of available resources which he has cannot meet either of those two drains upon the country. He asked me directly whether I thought arrangements could be made to continue the "Stillhaltung" of the loans that are now here from foreign countries for a period say of five years, then to be met by annual payments extending over several years and whether President Hoover could, if he understood the desperate plight of the German treasury, see his way clear to take further steps in the reparation matter. I called his attention to the fact that the money covered by the "Stillhaltung" agreement was not a Government proposition, but was a matter of the individual banks as far as the American capital involved was concerned. That it was not a matter to be taken up by his Government with our Government, but taken up by the Reichsbank with its creditors, all of whom were known because they had signed the "Stillhaltung" agreement. This he, of course, immediately recognized and he said that he should consider some method of approach to the creditors which could lead to a further extension of those credits, but was anxious for such assistance as our Government could render to persuade the banks.

He went over in detail the many measures which he had taken affecting German economic life to bring about a betterment of the situation. He said that the people had submitted to them, hard as they were, and the results obtained had been remarkable and that the spirit of self-help was strong and vigorous, but that the actual results were not sufficient to clear the deficits that he is facing. He impressed me with his earnestness regarding the desperate situation he faced, unless some definite arrangement on these two matters can be effected before the 15th of January, which seems to be a deadline, when he must expose the German situation. As I understood him, he believed that he could carry on if there were no more withdrawals of the loans now remaining in Germany and if the obligation of reparations is for some

time set aside. Our conversation did not envisage the question of cancellation of reparations, but as I understood it, the absolute necessity of its further postponement for some definite period is crucial.

He then went on to tell me of the political difficulties which he should encounter to save his Foreign Minister, Dr. Curtius, and he is not at all certain but what Curtius will have to leave the Cabinet. Speaking quite frankly I could see he, as well as others, think that Curtius was most unfortunate in his action at Geneva over the customs union [27] and failed to take advantage of the opportunity to announce a policy which should have taken the form that in view of the probability of an understanding among a wider group of nations, Germany and Austria would willingly postpone for some time the institution of the customs union. The Chancellor and others felt that such a statement would have been just as effective in satisfying the French demands and that it was a serious mistake in view of the German Nationalists' attacks to renounce it completely on the spot. This on top of previous attacks on Curtius' foreign policies seems to be the general feeling of the press and is the basis of the insistent demand for Curtius' resignation. One of Brüning's troubles which he acknowledged to me is that he cannot find any other person suitably prepared to become the Foreign Minister; that while he might undertake the work himself for a month or two he is not physically able to continue indefinitely.

Dr. Brüning is very much disturbed, as are all the Government officers, over the Hamburg election (covered in my despatch No. 1191, September 30, 1931,) [28] which took place on Tuesday, September 29th, and which indicated such a remarkable drift to the radical left and radical right. Brüning feels, therefore, that it is necessary to do everything to avoid a general election, because he says that if a general election were held at this time that same drift to radicalism would appear all over the country and would undoubtedly result in a radical parliament with a radical government, the first move of which, in its present frame of mind, would be a repudiation of foreign debts, which, as Dr. Brüning says, would destroy forever German credit. This Hamburg election took place during the visit of the French Ministers and was the basis of a considerable part of their conversations as showing the trend of Eastern Europe.

As another Cabinet Minister, Dr. Wirth,[29] told me on Tuesday evening the attitude of many of the voters was that in the last eight years they had tried the Socialist Government, which had not led them out of their difficulties, and they had tried the Conservative

[27] See pp. 565 ff.
[28] Not printed.
[29] Minister of Interior.

Government, represented by Dr. Brüning and his Cabinet, which, while it had made many moves, was confronted to-day with a situation worse than when it came into power. Dr. Wirth said the popular feeling was that there seemed to be no ability in any Conservative Government to improve conditions and while the electorate had nothing but promises from the radical elements there was so little to lose it was probably best to give them a chance to try their hands. In other words, such is the pulse of the electorate, which is so largely made up in Germany of those who have nothing to lose and to whom any change may seem beneficial.

Dr. Brüning went over the increasing difficulties which come from the English financial situation, particularizing as to its effects on the bituminous coal business. Germany, having a large production, will now be undersold by the English coals, as there is no possibility, in Dr. Brüning's view, for Germany to secure lower wage production costs through abandonment of the gold standard, following England's lead, as practically Germany's whole indebtedness is payable on a gold basis. Unfortunately, he says, many of the contracts of German concerns, including many of the sales made to Russia in the past few years and which have not yet been liquidated, as well as shipping contracts, i. e., charters for freights to all parts of the world, and much of their export trade, as for instance cotton industries, for which long-time credits must be given in the southern hemisphere, have been financed on the basis of the English pound and payment will be made in a depreciated currency. This will affect seriously Germany's balance of trade for a considerable period to come and add to her difficulties materially.

He told me of growing financial difficulties in the countries lying to the northeast, east, and southeast of Germany and said that he was fearful of the banking situation in Czecho-Slovakia, although it was not generally appreciated how serious were the difficulties there.

Dr. Brüning said Laval hopes in going to Washington that he can persuade Mr. Hoover that one of the things that should be done immediately was the calling of a general conference of the four larger powers of Europe and the United States to consider measures looking to not only the general economic relief, but to stabilization of the interrelation of the currencies of the principal nations. While the German-French committee that has been set up during the French visit can treat of many matters of mutual interest to these two countries, the recent development of the currency situation in England called now for a much wider circle which he and Laval believe could only originate through the President of the United States and he hoped that Mr. Hoover would find it possible to institute such a conference.

In the course of our conversation the question of a possible relief from the overcrowding of Germany and growing unemployment in

her industry, which would be of benefit to all the countries, came up. Dr. Brüning felt that the institution of a German colony under her own administration in some part of the world, where surplus population could be located, would relieve an overcrowded situation in this country and would thereby be of great benefit to the other nations, but that he as a German could not make such a proposal, because it must be agreed to by the allied nations and there would be attached to it, in his judgment, such impossible political conditions as would render its acceptance and availability impossible. He felt that the institution of such a colony would be most beneficial and he also felt that it would be so beneficial in its effects to the other countries that if the proposition could come from some Government opposed to Germany in the war its chance of successful development was very much greater.

Referring again to the matter of reparations, I talked to him about whether Germany would proceed to call upon the Basle Committee, provided for in the Young Report, and his reaction to that suggestion led him to say that such a move on the part of Germany was not possible until after the monies now loaned in Germany have become further stabilized through the extension of the "Stillhaltung" agreement, as such a call by Germany for instituting that committee would affect everybody who had money here in the shape of loans and the credit of the country would be so disturbed that there would be no hope of the loans so vitally needed being retained here.

While I apologize for the length of this letter I have tried to outline Dr. Brüning's views without comment on my part. I shall add, however, that he has made concrete the difficulties which I recognize as developing in the German situation.

Very truly yours, FREDERIC M. SACKETT

462.00R296/5233

Memorandum by the Under Secretary of State (Castle) of a Conversation With the German Ambassador (Von Prittwitz)

[WASHINGTON,] October 20, 1931.

The Ambassador came to me because he was unable to see the Secretary to deliver an urgent message from his Government. This was a statement as to the present German financial position which the German Government felt the President should have before talking with M. Laval. The Ambassador pointed out that this, the most recent statement, showed that the situation as to foreign loans was worse than had been reported by the Wiggin Committee. He said that assistance would be absolutely necessary since the gold reserve had reached a dangerously low point. He said that, of course, it

was essential that the President and M. Laval should reach some kind of an agreement as to a continuation of the moratorium and some final solution for the reparation question in order to give courage in Germany. The Ambassador said that if things remained as they were and an extension of the short term loan was confirmed for a longer time, it was still difficult to know what Germany would do by the first of February, and that if these loans had to be repaid at that time it would, of course, mean a complete financial crash.

It was clear that Germany could not begin next year paying any reparations. I told him that this was exactly the kind of statement which would make it impossible for Germany to get any help at all; that, as I had repeatedly told him, the world was not going to help Germany any more unless Germany showed some willingness to help herself; that I did not think the condition in Germany was any worse than in many other places; that I thought if Germany would "buck-up" and try to do something for herself, it would help everybody else. I spoke of the balance of trade being favorable, but the Ambassador said that really did not help as much as it looked because there was no reserve in Germany and, therefore, practically the entire amount which came in during any one month had to go out to pay for the next month. In other words, it was largely a cash transaction. I told him that this did not greatly appeal to me because it was obvious that month by month Germany must retain the balance of payments. The Ambassador said that this would be true except for the fact that a certain amount of the foreign currency which should be secured by sales of goods remained outside of Germany. He hastened to add that the German Government was trying its best to control this.

He ended by saying, on instruction, that the aim of Dr. Bruening was to maintain the present private economic system; that he hoped to continue to do this, but that the situation for him became more difficult all the time.

W[ILLIAM] R. C[ASTLE, JR.]

VII. Meeting of the Young Plan Advisory Committee, Basel, December 8–23, 1931

462.00R296/5243

Memorandum by the Secretary of State of a Conversation With the German Ambassador (Von Prittwitz)

[WASHINGTON,] October 26, 1931.

The German Ambassador came in to ask me about the Laval conversations [31] and particularly in respect to what should be done as

[31] See vol. II, pp. 237 ff.

to reparations. The Ambassador said he had had a talk with M. Laval last night during which Laval said that both sides had agreed that Germany needed help under this depression; that that help should be given under the Young Plan;[32] and that he, Laval, was going back to Paris and after he had consulted with his Cabinet would call in the German Ambassador and suggest to him that Germany ask for the appointment of a commission of experts by the B. I. S. to report on Germany's condition under the present circumstances. The Ambassador wanted to know whether that was correct and if that was our view. I told him it was substantially correct and it was our view. The Ambassador asked when this should be done. I said, the sooner the better; that there was no intention of having it delayed that I knew of; and that every consideration dictated its being done promptly. The Ambassador said yes, he thought that was true, because the meeting of this commission would have a helpful effect not only on the depression but on the position of the bankers as to the short term credits also; that the bankers' agreement[33] would expire in February and therefore it was important that this should be under way at once. I said I agreed. The Ambassador said he wanted to report to his government and that was his excuse for coming in and troubling me.

H[ENRY] L. S[TIMSON]

462.00R296A/1 : Telegram

The Secretary of State to the Ambassador in Germany (Sackett)

[Paraphrase]

WASHINGTON, October 27, 1931—6 p. m.

193. A joint statement containing the following paragraph was issued upon the conclusion of the recent conversations between M. Laval and the President:[34]

"In so far as intergovernmental obligations are concerned we recognize that prior to the expiration of the Hoover year of postponement, some agreement regarding them may be necessary covering the period of business depression, as to the terms and conditions of which the two governments make all reservations. The initiative in this matter should be taken by the European powers principally concerned within the framework of the agreements existing prior to July 1, 1931."

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[32] See Great Britain, Cmd. 3343 (1929) : *Report of the Committee of Experts on Reparations.*

[33] See pp. 323–324.

[34] Quotation not paraphrased. For complete text of the joint statement, see vol. II, p. 252.

Both the President and M. Laval agreed during the conference that Germany would require, during the depression, relief with regard to reparations. They shared the point of view that Germany should seek this assistance by applying for the designation of a special advisory committee under the terms of the second provision of part 8 E of the Young Plan.[35] Furthermore, they agreed that if such a committee reported favorably for a readjustment of reparations to relieve Germany, President Hoover would then, and not before, send a recommendation to Congress urging that the debt settlements which the United States made with its various debtors individually be reconsidered. The German Ambassador, Von Prittwitz, informed me yesterday that Laval had talked with him after the conversations with the President. According to the Ambassador, Laval stated that upon his return to Paris he would have consultations with the Cabinet and then probably summon Von Hoesch, the German Ambassador in Paris, to suggest that Germany should immediately ask for the appointment of such a committee. This was in accordance with our own views, I told Von Prittwitz. In our opinion, I continued, Germany should take such action as soon as possible.

In view of the relationship between reparations and the business depression, the President insists that such action should be taken at an early date in order to reestablish general confidence. This is for your confidential information. In our opinion, world confidence would only be further disturbed by the prolonged wrangles, discussion, and repercussion from opposing groups in the several countries that would arise out of an international conference covering debts and reparations.

No advance commitments would be required under the plan which we propose. The need of giving aid to Germany dominates such action. Obviously such assistance should be made available as soon as possible. Inasmuch as the United States is not a party to the Young agreement, it has no voice in this initiative. The proposal and execution of the year moratorium, however, was intended to give time for the proper consideration of such questions, and therefore, in our opinion, we have a right to expect that the governments directly interested will put into action such processes; that the stability of the world will be enhanced by such action. Germany herself must take the initiative; and that such initiative should be taken is important. Our very definite views and the reasons therefor should be presented to Chancellor Bruening by you, if proposals contrary to the foregoing are suggested in the press or elsewhere.

STIMSON

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[35] Great Britain, Cmd. 3343 (1929), pp. 23–25.

462.00R296A/4 : Telegram

The Ambassador in Germany (Sackett) to the Secretary of State

[Paraphrase]

BERLIN, October 31, 1931—11 a. m.
[Received 3 : 25 p. m.[36]]

210. Your 193, 27th of October, 6 p. m. Reference is made especially to the last sentence.

Today I asked Bruening to luncheon (Von Bülow [37] and Gordon [38] also being present) and had a long talk, in the course of which I strongly pressed upon him your views of procedure and the reasons therefor, as there have been indications that a course contrary to that set forth in the remainder of your telegram was being contemplated here.

The German position as developed by the Chancellor is as follows: Germany's most serious and pressing problem is the prolongation of short-term credits. Unexpected leaks have been disclosed in the operation of the Standstill Agreements by which certain creditors by taking advantage of legal loopholes have effected withdrawals which the Basel Committee and the German Government had not anticipated (up to this time the Chancellor estimated these leaks as amounting to 1,000,000,000 marks). From the point of view of the general short-term creditors such withdrawals necessarily take on the appearance of discrimination by Germany in favor of certain creditors and tend to injure German credit. As Germany is wholly dependent on the working capital constituted by these short-term credits it is imperative to stop this process. The drying up of her export sales due to lack of fresh credit to finance them is rapidly becoming more accentuated. (See my despatch No. 1081, August 15.)[39]

As a result, during the past few weeks suggestions have been in the process of elaboration and are nearing final shape for the prolongation of the short-term credits, probably on the basis of very long-term installment payments, and for closing up the leaks in the present method. The desideratum of the German Government is to substitute for the present Standstill Agreement an agreement along the lines of these proposals, or failing that, to obtain an acceptance in principle of such a process to go into force at the time of expiration of the present agreement pending determination of the reparations question.

The Chancellor continued by saying that if Germany immediately called for the appointment of the Committee provided for under the

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[36] Telegram in three sections.
[37] German Secretary of State for Foreign Affairs.
[38] Counselor of the American Embassy in Germany.
[39] Not printed.

Young Plan, such action would jeopardize any chance of reaching a successful issue in the proposed short-term credit negotiations because a decision by the Committee that did not offer Germany either a further holiday of reparations continuing for several years or "remittance" would cause refusal of extension by some holders of the short-term loans. The report of the Committee would produce no adequate solution of the German situation, as no assurance that further necessary steps beyond those provided in the Young Plan would be taken even if the report should reach the most fair-minded conclusions possible under paragraph E of article 8. Von Bülow added that the German Government could hardly see its way to taking such a leap in the dark. Germany should, before it did so, receive from France on M. Laval's return some assurances of further action after the exhaustion of the legal methods provided for in the Young Plan.

If the Young Plan Committee comprised more or less the same members as the recent Basel Committee,[40] Bruening remarked, a report might be very quickly rendered. If the Committee were given a personnel which had to cover the same ground over again, such would not be the case.

In consequence the Chancellor stated that he saw grave danger if his Government were to apply for the calling of the Young Plan Committee concurrently with its proposed negotiations on short-term credits, since France, for instance, had such a large stake in reparations and so small a stake in the form of private short-term credits that she would not wish to sacrifice the former at the expense of the latter. On the other hand, if it were decided in advance that reparations, including the non-postponable portions, were not going to be postponed or "remitted," the Swiss and Dutch private creditors having no reparations interest would be less inclined than ever to agree further to leave their money in Germany.

I dissented at various points during the foregoing exposition from the views expressed and impressed upon the Chancellor our suggested procedure. Even if a Young Plan Committee made a report inadequately meeting the entire situation, it was an essential condition precedent to any of the further steps necessary to a solution of the whole situation to which he had referred. I emphasized the foregoing, and also that in the absence of this initiative by the German Government, I felt sure that no assurances such as had been mentioned would be forthcoming from M. Laval. Along with several other arguments, I added that I could not agree that for Germany to open short-term credit negotiations concurrently with a call for the Young Plan Committee would be dangerous.

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[40] For the membership of this international committee of bankers which assembled at Basel August 8, 1931, see footnote 13, p. 314.

The Chancellor before reaching a decision in the premises will await a conference in Paris between Laval and the German Ambassador. He said that he would talk over with Treasury officials and banking advisers what I had told him. The press, however, has in the last 2 days been actively instilling into the public the Chancellor's point of view as set forth above.

While I may not fathom the logic of the German argument, as the Chancellor views the situation it may be summed up as follows:

1. It is essential to the continuation of German foreign trade that the Standstill Agreement be prolonged. Foreign trade is the only resource for building a surplus to meet German obligations.
2. The debtors of Germany are of two opposite types, those like Switzerland and Holland where short-term credits are far more important than reparations, and those like France where reparations are the largest interest and short-term debts comparatively small.
3. Since the results to be derived from the Basel Committee are uncertain, due to the limitations upon it by the Young Plan and by the length of time required for a report, and since Germany has no assurance that the question of her needs will be covered by any further action, she fears that the Swiss-Dutch group would not allow the Standstill Agreement to be prolonged and would force a German declaration for a general moratorium with its attendant disasters.
4. If consideration is first given to extension of the Standstill Agreement before submission of the reparation question for an apparently uncertain determination, the probability of success in this dilemma is greater.

I believe that Swiss and Dutch creditors with German banking affiliations are putting the screws to the Chancellor to force some kind of preference for short-term loans and to subordinate reparations. Germany's view of procedure is, I believe, motivated by this fact.

I have just received a telephone call from the Chancellor requesting another interview with me on Monday afternoon.

SACKETT

462.00R296A/6 : Telegram

The Chargé in France (Howell) to the Secretary of State

[Paraphrase]

PARIS, November 4, 1931—7 p. m.
[Received November 4—6 p. m.]

710. The following communiqué was issued to the press yesterday afternoon after the meeting of Laval, Briand, and Flandin with the German Ambassador: [41]

[41] Text of communiqué not paraphrased.

"Monsieur Laval gave account to Herr von Hoesch of the conversations which he had with President Hoover relative to the substitution of the normal regime of the Young Plan for the present moratorium resulting from the proposal made last June by President Hoover." [42]

Although it is obvious that this communiqué is vague I understand that the following is the substance of the conversation:

As indicated in the communiqué, Laval outlined in a general way the conversations he had had with the President. The discussion, however, centered chiefly on the question of the contemplated examination of the future capacity of Germany to pay reparations and the form which this examination should take. Laval emphasized in this respect the present viewpoint of President Hoover and himself that future courses concerning reparation obligations should be carried out within the Young Plan framework. The German Ambassador in connection with this examination called attention to the "restrictive" terms of reference contained in part 8 of the Young Plan which relates to the powers of the Advisory Committee. The Ambassador explained his Government's point of view that under the present circumstances these terms were not appropriate. Paragraph 125 of part 8 was mentioned in this connection, this paragraph providing that "the expenditures [*committee?*] shall play no part in connection with the unconditional annuity accepted by Germany and referred to in the Plan as the 'unconditional' annuity." To this Laval replied that according to the view of his Government a report on the situation of Germany could be rendered by the Committee, since the terms of reference in question were sufficiently large to permit its doing so. The interested Governments could thereby make a decision as to the future payments to be required of Germany. It was made clear to the German Ambassador that the French Government is awaiting a sign from Germany as to its intentions relative to the position it will take after July 1 on its reparation obligations.

Ambassador von Hoesch was also given to understand that the commercial obligations of Germany were to continue to be subordinate to the political obligations of that country.

HOWELL

[42] For text of President Hoover's proposal, see telegram No. 262, June 20, 8 p. m., to the Ambassador in France, p. 33.

462.00R296A/11 : Telegram

The Ambassador in Germany (Sackett) to the Secretary of State

[Paraphrase]

BERLIN, November 6, 1931—4 p. m.
[Received 4:10 p. m.]

213. Embassy's 210, 31st of October, 11 a. m. In order to give me the results of the conversations between Laval and the German Ambassador in Paris which followed our meeting reported in the aforementioned telegram, Von Bülow, Secretary of State for Foreign Affairs, called me in this morning.

Within the next few days the Germans intend to call for the Committee provided for in the Young Plan and in this way to exhaust the legal methods. Through another committee which they hope to have constituted by those who are parties to the Standstill Agreement they will also initiate negotiations with the private debtors. Although the Germans believe that the private debt matters will require longer and more intricate negotiations, these two committees will be practically simultaneous in beginning their work.

Von Bülow said that the Government of France will summon a conference of the Governments which are parties to the Young Plan after the Basel Committee under the Young Plan makes its report. Methods to relieve the economic situation of Germany with regard to reparation debt payments will be considered by the conference in the light of the Committee's report. It is Von Bülow's hope that the Bank at Basel will appoint practically the same personnel as acted after the London Conference in order to permit the conference of the Young Plan creditor powers to be put in prompt operation and in order that all possible time be saved in making a report. Von Bülow thinks that Laval plans as a result of the conference of creditor powers to continue for a further period of 2 or 3 years the Hoover holiday covering the present loans and to postpone until a later date any consideration of a reduction in reparation payments. Bruening's internal political situation is made extremely difficult by this procedure, Von Bülow pointed out, because public opinion is firmly convinced that it makes practically certain a drastic reduction or remittance in reparations, whereas it appears as a surrender to French demands if Bruening calls for a Young Plan Committee with very limited powers.

The conversation which the German Ambassador had with Laval revealed that the latter did not realize the limitations upon a Young Plan Committee in the scope of the report it could make. The discussion also disclosed that it would require continued negotiations in the French capital (1) in order that Laval be convinced of the futility of such a report as they could make under the terms of their appoint-

ment and (2) that a method of procedure be found by which public opinion in Germany on the one hand could be appeased and French public opinion could on the other hand be satisfied. Through the cooperation of the two Foreign Offices, Von Bülow believes that the method of procedure and a plan have now been developed which will be satisfactory to both Laval and Bruening. According to these arrangements the French will agree that the Committee may cover a wider field of investigation than is in reality permitted under the Young Plan.

I was given to understand by Von Bülow that the French were not ready to insist on full preference of reparations over private debts but that in their opinion equal status in payment would have to be given the two classes of debts if, through the refusal of some of the private creditors to grant an extension on other terms, the collapse of German economy is to be prevented. It is also my understanding that Laval recognized this necessity. With regard to the communiqué issued in Washington on the 25th of October, there still seems to be some uncertainty in Germany as to the exact interpretation to be given it. The uncertainty applies particularly to the extent to which the United States is committed, if at all, to approve the ultimate action of the French.

SACKETT

462.00R296A/4 : Telegram

The Secretary of State to the Ambassador in Germany (Sackett)

WASHINGTON, November 10, 1931—5 p. m.

195. Your 210, October 31, and 213, November 6. The Department notes your account of the French-German discussions and is pleased with the progress they seem to be making.

This Government is not committed in any way to approval of French action at this or later stages.

As regards the other matters touched on in the final paragraph of 213, the following is the attitude of this Government:

(1) Negotiation on matters arising out of the coming expiration of the "Standstill" Agreement is being left to the private interests directly concerned. It would seem that the sooner this is effectively handled the more beneficial the result. In view of its possible importance as an element in our banking situation the subject is naturally of great interest to this Government.

(2) Your message seems to indicate, however, that the Franco-German discussions are touching upon not only the short-term debts included in the Standstill Agreement but also other German obligations to private parties. If this is so, it is important that you make

clear to the German Government, in such manner as you judge best, that the conversations that took place in Washington did not envisage any change in the rights of the American foreign creditors. The German Government is in a position to appreciate the importance of meeting German obligations to private creditors and we rely upon it to do so. Any action which would raise a question as to the continuation of the debt service on the bond issues of Germany or of her territorial subdivisions would at once destroy her credit, would alienate American support, and would make it impossible to secure the effective handling of the Standstill Agreement dealing with short-term obligations. Our attitude towards long-term obligations due not from the German public authorities but from German private parties is substantially the same in the event that any idea under discussion might lead to Government interference with the continuance of their loan service.

(3) If we have misread your 213 and this matter does not seem to you to be at issue at all in the conversations, do not bring it up. We wish, if possible, to handle the matter as if it were a foregone conclusion that the service of all German long-term obligations would continue completely unchanged.

(4) Keep the Department closely informed.

STIMSON

462.00R296A/14 : Telegram

The Ambassador in Germany (Sackett) to the Secretary of State

[Paraphrase]

BERLIN, November 12, 1931—5 p. m.
[Received November 12—2:34 p. m.]

214. Department's No. 195, November 10, 5 p. m. The negotiations in Paris are continuing as indicated in the Embassy's 213 of November 6. As yet no agreement has been reached. I learned all this today in my conference with the Secretary of State for Foreign Affairs, Von Bülow. Next Saturday or Monday he will give me a report upon the discussion, which he expected to be concluded this week. Von Bülow envisaged no important changes in the plan of procedure previously described to me. In the French mind, however, there is a question whether the Basel Committee which is to be summoned should have the range of its authority so enlarged that as an expert body it be allowed to recommend the comprehensive relief which Germany should be granted, or whether the powers of the Committee should be limited strictly to those granted it under the Young Plan, and subsequently have the interested Governments call a conference

to make a decision on the wider assistance to be granted. His Government, Von Bülow stated, would be satisfied with either arrangement.

The French, Von Bülow told me in confidence, are seeking a side agreement between France and Germany to be entered into before the Basel Committee is constituted. By this method they would induce German agreement upon a definite amount which the Germans would pay as reparations regardless of what the Basel Committee should eventually recommend. To such an undertaking, however, the Germans have refused to accede.

The Embassy's telegram of November 6, No. 213, was evidently misread by the Department. The German Foreign Office had not intimated to me any suggestion relative to the discontinuance of debt services on any long-term issues referred to in the Department's No. 195, paragraph 2. However, because of the newly discovered increased amount of the short-term indebtedness, as described in my No. 209 of October 29,[43] there is great difficulty in dealing with the Standstill creditors.

SACKETT

462.00R296A/14 : Telegram

The Secretary of State to the Ambassador in Germany (Sackett)

[Paraphrase]

WASHINGTON, November 13, 1931—7 p. m.

196. We understand, in connection with the final sentence of the Embassy's 214 of November 12, that the several private banking parties concerned over German short-term credits desire that discussions begin immediately for the final settlement of the credits which the Standstill Agreement involves. They maintain the opinion that this must be done before December 1. The immediate appointment of a committee of private bankers with whom they can negotiate is what they are waiting for.

The prompt settlement of this matter would have distinct advantages: Uncertainty would come to an end for the banks; German credit in this country would be maintained; the settlement of this question would be handled separately, as we believe it should be, thereby safeguarding against the possibility of its involvement in the reparations controversy. The bankers are prepared to discuss this subject, and the German Government should be so informed. You should also express the strong hope that the immediate discussion and settlement of this matter will be facilitated by the German Govern-

[43] Not printed.

ment. The European reparations problem should not be linked with the matter at hand.

The reason why the revised computations of the amount of the short-term credits should create any new obstacle is not clear to us. We trust that this will not be permitted to stand in the way of the action proposed.

STIMSON

462.00R296A/19 : Telegram

The Ambassador in Germany (Sackett) to the Secretary of State

[Paraphrase]

BERLIN, November 14, 1931—2 p. m.
[Received November 14—12:10 p. m.]

215. Visiting the German Foreign Office at noon today, I urged, for the reasons stated in the Department's 196, 13th of November, 7 p. m., that a committee of private bankers be immediately appointed.

The Secretary of State for Foreign Affairs answered that my suggestions coincided exactly with the wishes of his Government for immediate action. The difficulty, he continued, was with the Finance Minister of France, Flandin. The latter offered serious objections to beginning action on adjustment of short-term debts until after application for the Basel Committee had been made by the German Government. Flandin, according to Von Bülow, even went so far as to say that it would be disloyal to Franco-German negotiations on reparations for the Germans to make such a move. One of Von Bülow's aims in leaving for Paris tomorrow is to have the Standstill Agreement loans dealt with by effecting the appointment of the committee.

With more conferences scheduled for today, the argument which Germany will present to the Basel Bank for the appointment of a Committee under the Young Plan was discussed again in Paris yesterday. Certain objections made yesterday by Laval with regard to the range of action which the proposed Committee will have and the convening of the Chamber of Deputies have caused delay. Nevertheless, the German Foreign Office hopes that the provisions suggested will be agreed to by the French at the conference today.

The Germans, however, adhere to the belief that the Basel Committee will find it necessary to give consideration to both the short-term debts and reparations. Otherwise it would be difficult to arrive at a genuine view of the requirements of the present economic difficulties in Germany. In spite of this, the German Foreign Office is appreciative of the fact that a separate committee which is representative of

the private interests concerned must conduct the negotiations for the extension of the Standstill Agreement.

SACKETT

462.00R296A/20 : Telegram

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

[Paraphrase]

BRUSSELS, November 14, 1931—3 p. m.
[Received 5 : 35 p. m.]

122. The following items taken up in the course of a long conversation this morning with the German Legation regarding the Franco-German discussions at Paris were of special interest:

1. The determined demand of the French that before the convening of a general conference to discuss reparations Germany must execute a separate agreement with France guaranteeing payment of French share of reparations is the principal stumbling block in the present negotiations. Including even the liberal-minded François-Poncet,[44] the French negotiators are obdurate for this privileged French position whereby France would be enabled to enter the conference with nothing to lose and everything to gain. This proposal is regarded by the Germans as being unfair to the other conferees and they are holding out against it. They state that it would be as unjust in this instance as it would be in an analogous case of a bankrupt who made a special arrangement with one creditor. In the event such a special agreement were made with the French, the Germans feel that if it were published it would arouse the resentment of the other conferees, perhaps making the conference abortive. On the other hand, if it were kept secret, the chances are that it would eventually come to light. In this event the Germans would be accused of reverting to the secret diplomacy practices of the Hohenzollerns and the fact that France had coerced Germany into this agreement would not count. It is the hope of the German Legation that its Government may be able to hold out against French pressure for a special agreement. It seems somewhat doubtful, however, as that pressure is strong and the need of Germany for consideration of the reparations problem is urgent. Von Hoesch and Flandin are carrying on most of the Franco-German discussions. I have been told by the Germans that Flandin is a hard man to deal with. He apparently has no international point of view.

2. In these negotiations it would appear that the above point is more important and critical than the question of increasing the Special Ad-

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[44] French Under Secretary for the Presidency of the Council and the Ministry of National Economy.

visory Committee's scope under the Young Plan provisions. In this regard the German proposal is twofold: (1) First-class financiers should compose the Committee—it should be like the recent Wiggin Committee at Basle and not of the ordinary expert type; (2) the terms of reference of the Committee should be enlarged in order that consideration of the entire German financial and economic picture be included.

3. After the Committee has met and after the stumbling block set forth in paragraph 1 has been removed, the French and the Germans are both apparently convinced of the necessity of holding a reparations conference. Considerable German sentiment seems to exist in favor of holding the conference in Brussels. I understand this is partly based on the desire to meet Francqui's [45] wishes.

I have not felt at liberty to repeat the foregoing information to other missions in view of the peculiarly personal way in which I received it. However, provided the source is not revealed, there is no objection to the Department's using its substance as it desires.

GIBSON

462.00R296A/19 : Telegram

The Secretary of State to the Ambassador in Germany (Sackett)

[Paraphrase]

WASHINGTON, November 17, 1931—7 p. m.

198. Embassy's 215, November 14, 2 p. m.

1. With regard to negotiations by the German and French Governments for a calling of the Basel Committee, the following is our present view of the situation as formed from your cables and those of others: Before making the request that the Committee be summoned, the Germans have been seeking assurances whereby every aspect of their financial and economic situation will be considered by the Committee, and that the report of the Committee would even embrace a survey of unconditional reparation annuities. The limitation embodied in paragraph 125 of the Hague agreements [46] is the chief cause for anxiety in the German Government. On the other hand, the French have seemingly been attempting to secure a pledge from the Germans that neither the Basel Committee nor any subsequent action will question the rights of the French Government to its unconditional annuities. Furthermore, although the reasons for their action are not clear to the Department, the French authorities are apparently seeking to place beyond

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[45] Emile Francqui, Belgian Minister of State.

[46] Great Britain, Cmd. 3484, Misc. No. 4 (1930) : *Agreements Concluded at the Hague Conference, January 1930.*

the scope of the Committee a study of the conditions which affect the ability of the Germans to pay arising out of the obligations which the Germans owe to private parties.

Consequently, before the Committee convenes, both the French and German Governments, each in its own interest, are endeavoring to circumscribe or direct the action of the Committee.

2. Both during and subsequent to the conversations between Laval and President Hoover, the point of view of this government has been that the immediate calling of the Basel Committee was desirable. Both the President and the Prime Minister considered it advantageous, in view of the temporary situation, to proceed with a review of reparations by utilizing the machinery provided for in the Young Plan. Neither the President nor I were of the opinion that the possible scope of the Committee should be predetermined; we felt that the situation would be studied by the Committee without limitation. That is to say, we thought that the Committee's survey of the subject should not be circumscribed in its scope before employing the provision in the Young Plan to call the Committee.

The initial attempt to have the jurisdiction and function of the Committee exactly defined was apparently made by the Germans because of their fear of paragraph 125. For reasons just stated, we are of the opinion that this is unnecessary. It is my desire that you inform the German Government of this opinion. At the same time, you should tell them that from his conversations with the French Prime Minister, the President gained the impression that the French Government would make no attempt to prevent the Committee from considering all the realities of the situation.

To summarize, the point of view of the United States was and continues to be that the machinery of the Young Plan should be employed to inaugurate an examination of the reparations question amidst the temporary conditions maintaining. The Committee should be free, however, to fix the scope of its analysis and recommendations. Thus the Committee and such future meetings of Governments as might be called would deal with the question of discovering the proper solution for opposing interests. We still believe this to be the most satisfactory and simplest course to pursue.

3. The possible action of the Committee has already been dealt with in conversations between the Germans and French. Should they agree upon definite terms of reference for the Committee, and should the other countries who are parties to the Young Plan be satisfied with the terms, the arrangement will be viewed as one between the parties themselves. The Germans must understand, however, that any terms of reference whereby either the French or Germans attempted to safeguard their own interest in such a manner as to gain a

special advantage or to prejudice our interests would of course not be satisfactory to us. We consider it unwise that the question of priority as between types of Germany's obligations should be brought about by the advance terms of reference.

4. The favorable attitude of the German Government toward making possible at once the meeting of a German bankers' group pleases me. The problem created by the prospective expiration of the Standstill Agreement would be the subject of negotiation between that committee and the foreign bankers. The short-time credit situation is solely a banking matter to be solved by methods unconcerned with the reparations problem. This has been my point of view ever since I visited Berlin last summer. I clarified this, as you will recall, to both Chancellor Bruening and President von Hindenburg. I was explicit in stating to them that the fulfillment of private obligations by the German people was regarded by us as purely a banking and commercial matter. Our considered position in this respect has not changed.

The attitude of the United States remains therefore that German and foreign banking groups should deal with the short-time debt problem in separate negotiations and that the results of such discussions must be left in the hands of the private groups. Our understanding is that the French will not object to arrangements for a separate negotiation. The objection of the French Government, however, appears to be to the opening of these discussions before the Germans have applied for the Basel Committee. To us this seems to be an unreasonable objection. Certainly it does not correspond with the stand taken by myself or the President last summer or during the visit of Premier Laval.

Confidence in the intentions and credit of the Germans will wane if they postpone for too long a time consideration of this short-time credit situation. You should continue to impress them with this fact. We entertain strong hopes that the German Government will make that imperative move at once—this, in spite of the fact that no immediate issue may be found in the negotiations with the French over the calling of the Basel Committee.

STIMSON

462.00R296A/27 : Telegram

The Ambassador in Germany (Sackett) to the Secretary of State

[Paraphrase]

BERLIN, November 19, 1931—2 p. m.
[Received November 19—12:30 p. m.]

221. At 11:30 this morning, the German Chancellor and I discussed privately and in detail the contents of the Department's tele-

gram No. 198, 17th of November. When we had finished Bruening requested me to convey to you his most sincere thanks for the message which you sent him. He stated that it clarified for him the several differences which had been created by the somewhat cryptic communiqué which was announced at the time of Laval's trip to Washington.

Two weeks of negotiations had resulted, he informed me, in an agreement between his Government and that of France. The understanding covered the convoking of the Basel Committee. Yesterday had been the date set for the issuance of the text to which both countries had agreed. At the last moment, however, the French Prime Minister was not willing to acknowledge before the Chamber of Deputies that the terms of the memorandum had been agreed upon by France and Germany. Laval was only willing to state that Germany was the author of this purely unilateral proposition to which the French were not bound. Bruening pointed out that during the negotiations of the past 2 weeks he had given way on many matters which, in his opinion, were of vital importance to the German people. Consequently, he was unable to agree that a one-sided statement was the result of the discussions. It is still his belief that the agreement will be accepted by the French Government. He expects, too, that it will be published on Saturday. Coinciding with this application for the Basel Committee, Bruening states that a committee of German bankers will be constituted. This group will request the members of the Standstill Agreement for a meeting in which an extension will be considered.

During this conversation Bruening had a text of the agreement before him. Until publication of the final agreement, however, Bruening told me that the French did not want anyone to view it. Nevertheless, I obtained a fairly good idea of its purport, as he glanced over its terms and commented upon them. It contains nothing, insofar as I could observe, to which you might object by its expansion of the Basel Committee's range of action.

If publication of the agreement which had been negotiated did not take place on Saturday, the German Government was going to make an independent request that the Basel Committee be appointed under the provisions of the Young Plan. This action would not be predicated upon agreement with any nation or other qualifications. At the same time, the German Government would appoint a bankers' committee on the Standstill Agreement. All this the Chancellor told me after having considered the Department's telegram with particular reference to the second paragraph, subdivision 2.

Though he was rather indefinite about it, I gather that Bruening's impression is as follows: The French believe that their refusal to

permit a calling of the Standstill group before appointment of the Basel Committee is in accordance with the views of the Department.

SACKETT

462.00R296A/28 : Telegram

The Ambassador in Germany (Sackett) to the Secretary of State

BERLIN, November 19, 1931—7 p. m.
[Received November 19—2 : 25 p. m.]

223. [Paraphrase.] With reference to the Embassy's No. 221, 19th of November, 2 p. m. The agreement with France has been reached. I have been officially notified of this since filing the reference telegram. Today, the Germans mailed the note to Basel. [End paraphrase.] It will be published Saturday. A copy will be given me tomorrow at noon. Shall I send full translation?

SACKETT

462.00R296A/45

The Consul at Basel (Cochran) to the Secretary of State

BASEL, November 23, 1931.
[Received December 4.]

SIR: I have the honor to transmit herewith five copies of a press communiqué, dated November 20, 1931,[47] in which the B. I. S. announced the steps that it had taken, following the receipt of the German request for the convocation of the Special Advisory Committee.

There are also attached five copies each of the English translations, made in the B. I. S., of the note under which the Memorandum was transmitted, and of the Memorandum itself, the official text whereof was in German.

Respectfully yours, H. MERLE COCHRAN

[Enclosure—Translation]

The Finance Minister of the Reich (Dietrich) to the President of the Bank for International Settlements

BERLIN, November 19, 1931.

MR. PRESIDENT: In the name of the German Government I have the honour to transmit to the Bank for International Settlements in Basle a Memorandum, in which the German Government applies for the convocation of the Special Advisory Committee for which provision is made in the New Plan.

I have [etc.] H. DIETRICH

[47] Not printed.

[Subenclosure—Translation]

MEMORANDUM

The German Government hereby applies for the convocation by the Bank for International Settlements in Basle of the Special Advisory Committee for which provision is made in the New Plan of the Hague Agreement of January 20, 1930. In regard to the cause and purpose of this application the German Government has the honour to make the following statement:—

As early as the beginning of June of this year the German Government became convinced that, in spite of the most severe retrenchment in Government expenditure and repeated increases in the burden of taxation, it would be incapable of continuing the payment of the annuities under the New Plan. The economic and financial situation of Germany was at the time already most gravely threatened. The German Government had accordingly decided to draw the necessary conclusions from the situation.

This decision was followed on June 21st by the declaration of the President of the United States of America, proposing the postponement during one year of all payments on intergovernmental debts, reparations and relief debts. The purpose of the far-sighted initiative thus taken was, in the words of the declaration, to assist in the re-establishment of confidence, thus forwarding political peace and economic stability in the world; the debtor countries were to be given time to recover their national prosperity. The hope that this proposal would bring about a decisive turn in the world crisis was not realized. In consequence of subsequent events, the Hoover holiday year was not in itself sufficient to overcome the danger of collapse. Accordingly, the British Government in July took the initiative of summoning the London Conference.[48] The recommendations of the Conference led to the prolongation of the rediscount credit accorded to the Reichsbank, the Basle Standstill Agreement and the Report of the Basle Committee of Experts set up by the Bank for International Settlements.

Important as all these measures were for immediate relief, they were essentially merely preparatory in character. The London Conference itself in its closing declaration stated that the measures recommended were only intended as a first step which would form a basis for more permanent action to follow. Accordingly, the experts who collaborated in the execution of the London recommendations constantly had in mind the provisional character of all these measures. The Standstill Agreement states, for example, that the contracting parties have approved the settlement therein provided "pending a

[48] For correspondence concerning the London Conference of Ministers, held July 20–23, see pp. 263–264, 298–313 and 317–321.

more permanent solution of the German short term indebtedness problem". Similarly the Report of the Basle Committee of Experts closes with an urgent appeal to the Governments concerned to "lose no time in taking the necessary measures for bringing about such conditions as will allow financial operations to bring to Germany—and thereby to the world—sorely needed assistance".

In the intervening months the economic and financial situation of Germany has become exceedingly critical. The characteristic facts of this situation are universally known. In other countries also the pressure of the crisis has had a most serious effect. The world has come to realize in an increasing measure, the inter-relationship of the various financial problems to which the situation has given rise, and the necessity for immediate action for their solution as a whole. In considering the most suitable method of handling this problem the view has gained ground that the Special Advisory Committee should now be convened. As under the terms of the New Plan the convocation of the Special Advisory Committee is dependent upon an application by the German Government, the German Government has determined to make this application, in order to do all in its power to pave the way for comprehensive and joint measures on the part of the Governments.

In accordance with the New Plan the application requires a declaration by the German Government to the effect that "they have come to the conclusion in good faith that Germany's exchange and economic life may be seriously endangered by the transfer in part or in full of the postponable portion of the annuities". In making this declaration, the German Government must expressly state that such a declaration does not do justice to the present situation. Since the New Plan was framed, the economic and financial situation in the world, and particularly in Germany, has been fundamentally altered by a crisis without parallel. As the New Plan requires the Committee to examine the situation from all points of view, the Special Advisory Committee must investigate the problem in its entirety by taking into consideration all its factors, with special reference to the circumstance that the question of Germany's private indebtedness must duly form the subject of a new settlement before the end of the month of February next, by means of an agreement to be reached between foreign creditors and German debtors.

Present conditions being such that the necessary measures require to be taken with the utmost dispatch, the German Government proposes that the Special Advisory Committee should meet immediately and that it should complete its work as quickly as possible, in order that a Conference of those Governments which are competent to take the decisions then to be reached may thereupon at once be held.

BERLIN, November 19, 1931.

462.00R296A/40

Memorandum by the Secretary of State of a Conversation With the French Ambassador (Claudel)

[WASHINGTON,] December 3, 1931.

I had sent for the French Ambassador and when he came I told him that this was one of those rare occasions when I had something serious to say to him. He laughed and said that I always had something serious to say. I then told the Ambassador that M. Laval had recently made a speech before the Chamber of Deputies in which he had forecast conditions which France would impose upon the coming readjustment of Germany's condition. I had before me the speech in an article from the *New York Times* of November 27 as reported in a cable from P. J. Philip, dated November 26, Paris, and I read to him the following paragraph:

"We will accept rearrangement for a limited time, but will not consent to a revision of reparations unless reductions in an equal measure at least are consented to with respect to war debts. We will demand payment of the unconditional annuities, and we will not accede to priority being given to private debts over our reparations."

I told the Ambassador that my remarks were addressed to two aspects of this speech. I said the first was that we here had hoped for and expected a full, impartial and expert exploration into Germany's economic condition and her capacity to pay by the Basle Committee invoked under the Young Plan; that we expected an untrammeled report of a scientific character upon the facts involved in Germany's condition and that we were justified in this by the presence on the Committee of such men as M. Rist of France, Mr. Layton of Great Britain, and Mr. Stewart of America. But I said that such a statement as that of M. Laval, before the Committee had entered on its work, limiting the conditions of any settlement, would necessarily tend to hamper and limit their work and destroy its value. I said, in a word it tended to put handcuffs on the Committee. I told him, in the second place that in order to avoid any possible misunderstanding I wanted to make it clear to Mr. Laval and the French Government that some of the things which he asserted as France's policy were not made under any agreement with us but that as to some of them we held an entirely different view.

I then took up the points in order. I said his statement that "we will not consent to a revision of reparations unless reductions in an equal measure at least are consented to with respect to war debts" in short meant that America was to pay the whole bill and that France even reserved the right to make a profit out of the transaction; that we certainly did not agree to that and no government in America ever would agree to it. I said his second statement that "We will

demand payment of the unconditional annuities" was a matter in which we had taken no position because it was a matter for the European countries, but that I wanted to make it clear that what Mr. Laval stated had not been a subject of agreement between Mr. Hoover and Mr. Laval. Finally, I said that with his statement "we will not accede to priority being given to private debts over our reparations" we were inclined to differ entirely. I said that we thought his position would mean the entire destruction of Germany's credit; that if her private debts were to be subordinated to her public debts she would never again be able to raise money; and that the important matter now was to save her from economic disaster—and this would make economic disaster almost inevitable.

I then read to the Ambassador the *aide-mémoire* which is attached to this paper [49] and he took away a copy. We then had quite a long talk on the matter. He told me that Mr. Laval had surprised him after his talk with Mr. Hoover by saying that there was some understanding as to war debts somewhat like that stated here. I told the Ambassador that that was impossible; that what Mr. Hoover had stated was the same as what was stated in the joint communiqué, which in substance was that provided initiative first came from Europe and an investigation into Germany's capacity to pay within the Young Plan was made and showed that she was not capable of paying, we would then suggest to Congress a reopening of the debt settlement of the various countries who might be affected by the result of the German inquiry. The Ambassador said he had been astonished when M. Laval made the statement to him but that he evidently had some such idea. I said I did not see how it had been possible because the matter had been made very clear. At the end of our conversation I impressed on the Ambassador the fact that what I wanted, if possible, was to see that handcuffs were not placed upon the Basle Committee which would prevent them from making a full and helpful report as to Germany's condition and capacity to pay, and secondly to prevent any misunderstanding as to what agreements were made between the French Government and us.

H[ENRY] L. S[TIMSON]

462.00R296A/39a

The Secretary of State to the French Ambassador (Claudel)

AIDE-MÉMOIRE

The American Government had hoped that the experts committee about to assemble at Basel would be left free to examine the problem

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[49] *Infra.*

with which it is concerned without being faced in advance by definitive statements of national attitudes and demands. The prior presentation of conflicting demands may make the process of future settlement more difficult and meanwhile contribute to the weakening of Germany's position.

Further, in order to avoid possible misunderstanding, the American Government wishes to convey to the French Government the view that it does not regard the statements of Prime Minister Laval as in any way representing an agreement or understanding arrived at with the American Government.

WASHINGTON [December 2, 1931.]

462.00R296A/61

Memorandum by the Secretary of State of a Conversation With the French Ambassador (Claudel)

[WASHINGTON,] December 9, 1931.

The French Ambassador sought this interview and when he arrived he produced a memorandum, which is attached hereto, which he said was a translation of a message he had received from his own government and that he left it not as a note or as a memorandum but simply as a message, for my own personal and confidential use, to explain the situation in which his government was. He told me that it was a copy of a message which his government was sending to the governments of Great Britain, Belgium and Italy, (being the other creditor countries like France) in order that there might be established a unity of viewpoint on this question of reparations and debts while the Basle Committee was meeting. At the same time he told me that his Financial Attaché, Mr. Monick, would deliver to Mr. Mills at the Treasury another copy of the same paper for the same purpose this afternoon. I asked him whether I should read the paper then, and he said yes. I then read it and when I got through I asked him whether the last paragraph on the fourth page [50] referred to the provisions in the Young Plan under which the creditor nations are entitled to retain a certain percentage of any concessions which they may receive from the United States as their creditor and pass on the remaining percentage to Germany. He said, "Yes, we waive that provision for the retention." He then said to me that while Mr. Laval was under political limitations it was his own (the Ambassador's) impression that this message was intended to be conciliatory in reference to the questions which I had raised in my

[50] i. e., the last paragraph of the memorandum.

talk with him last week. I then pointed to the paragraph at the top of page 3 [51] and said that I understood that this was an admission that the Special Committee could examine into and report on the entire economic and financial field affecting Germany, but that of course all action on its report was a matter for others. He said, yes; that that was his interpretation and this was intended to remove what he thought was my principal trouble last week. I said that it was not my only principal trouble but one of my principal troubles. The Ambassador then told me that his Financial Attaché was going to sail next week for France in order to explain to them the situation that he learned here in many conferences not only with the Treasury but with bankers in New York. He said, "While I am not authorized to say so, I am under the impression that this note is conciliatory and the French Government will go further." He said, "That is only my personal opinion, but I think the real situation is that we are approaching the 'last ditch' and unless we wish to lose all that we have got we shall have to make very considerable sacrifices."

H[ENRY] L. S[TIMSON]

[Annex]

The French Ambassador (Claudel) to the Secretary of State

At the moment when the German Government has just addressed to the Bank of International Settlements a request for a meeting of the Consultative Committee provided for in the Young plan, the French Government thinks it advisable to explain its point of view on the reparations question to the other creditors of Germany, in order to establish a community of view as complete as possible. Instructions to that effect have been sent to the French Ambassadors in London, Brussels and Rome.

The French viewpoint is as follows:—

1°—In order to avoid any misunderstanding, it should be recalled that the memorandum forwarded by the German Government to the Bank of International Settlements, although submitted in advance to the French Government, was not drafted in agreement with the latter, and the French Government is not bound thereby.

The only purpose of the modifications which took place upon the request of the French Government was to avoid the obligation, in which France might have found herself, to make reservations concerning certain points contained in the memorandum. Therefore,

[51] *Post*, p. 356, paragraph beginning "The inquiry of the special Consultative Committee . . ."

she keeps her full liberty of action and of agreement with the other creditor nations.

2°—Germany remains bound by the obligations which she willingly and solemnly contracted at The Hague.

The exceptional procedure suggested last June by President Hoover has not altered the validity of previous agreements. When the German Government made use of the procedure of the Young plan in order to obtain, at the expiration of the Hoover moratorium, the reduction which circumstances may render necessary, it took an initiative which, in the very interest of a bona fide debtor, should prevent any misunderstanding as to the validity of the plan.

3°—In its request, the German Government insists upon the fact that the facilities of payment provided by the Young plan do not meet any longer the present situation.

Although observing that Germany is largely responsible for her present financial difficulties, the French Government is ready to admit that the world economic crisis, the amplitude and acuteness of which are beyond any prevision, may necessitate a temporary revision of the Young Plan together with an agreement concerning intergovernmental debts. Such a revision should be limited to the period of the economic depression.

The inquiry of the special Consultative Committee could, as the German Government requests, deal with the whole economic and financial situation of Germany, taking into account all the elements which affect such situation, the question of the private debts of Germany being one of those factors.

The problem raised by this last question should however remain distinct from the problem of reparations and its solution belongs to another committee. Although they must be dealt with along parallel lines, these two questions should not be confused.

By commercializing the unconditional part of the reparations annuities, the Young Plan and the Hague agreements have assimilated that part of the annuity to those external debts of the Reich which have the character of a private liability. This is why the French Government could not accept that priority be given to private debts over reparations.

5°—In the opinion of the French Government, the problem to be settled is of a more general character. The point is to know whether in case the German Government agrees to respect its obligations within the measure compatible with its possibilities, solutions can be found which will restore the situation of the Reich and allow normal economic and financial recovery not only in Germany, but also in all interested countries.

The Committee should recommend by way of general conclusions the measures to be taken by the Reich in order to re-establish its credit, the interested Governments being responsible as to the choice of the decisions to be arrived at, for the application of these measures.

For that purpose, the French Government favours the meeting of an intergovernmental conference.

6°—When this conference convenes, the French Government firmly intends to keep the balance due it under the provisions of the Young Plan for the reparation of war destructions in France. However, the French Government is in no way opposed to finding at the convenient time and for a temporary period modalities of payment which would be necessary to reconcile the various interests to be considered. These modalities could be found by way of deliveries in kind or by way of commercial loans that would be granted the German economy through a part of the unconditional annuity due during the period of depression.

7°—According to the text of the memorandum of the creditor powers which is annexed to the Young Plan, the revision of the German annuities is possible only in case of inter-allied debts being reduced, said reduction being to the benefit of the Reich for a part, and of the creditor nations for another part.

The French Government is ready to grant Germany the totality of the bonification to which it would be entitled according to the Young Plan if the other powers are ready to make the same sacrifice.

462.00296A/86 : Telegram

The Consul at Basel (Cochran) to the Secretary of State

BASEL, December 23, 1931—6 p. m.
[Received December 23—12:50 p. m.]

For Castle. Final agreement on report reached this afternoon. Signing will take place at 8:30 tonight. Press summary will be given out but the text will not be issued for several hours. Since these will both be telegraphed by the Associated Press, I shall not cable but mail text.[51a]

COCHRAN

[51a] For text, see Great Britain, Cmd. 3995, Germany No. 1 (1932): *Report of the Special Advisory Committee convened under the Agreement with Germany concluded at The Hague on January 20, 1930*, Basle, December 23, 1931.

NEGOTIATIONS LOOKING TOWARD A SOLUTION OF THE PROBLEM OF FRENCH AND ITALIAN NAVAL CONSTRUCTION [52]

500.A15a3/1322 : Telegram

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

[Paraphrase]

BRUSSELS, January 9, 1931—6 p. m.
[Received January 9—2:15 p. m.]

3. Reference is made to No. 41, December 30, 4 p. m. from the Department.[53]

(1) It has not yet been possible for Massigli [54] to come to Brussels; I gather, however, that he believes that until there is a government with an assured majority [55] no further steps can usefully be taken.

(2) It is believed by Craigie [56] that if my mediation should be needed later on it will be more effective if I stay out of the present negotiations.

(3) A letter from Rosso [57] informs me that the Italian end of the situation is satisfactory, and he also feels that a hasty decision should not be attempted.

(4) I believe that, at least until there is a government in France likely to remain in power long enough to complete a negotiation, it would be a mistake to try to push matters; misunderstanding equally as great as the present appreciation of our readiness to help when appealed to might be caused by any attempt on our part to hurry matters now.

(5) It would have a helpful effect in Europe, should the matter come up again in the press, if it could be brought out that there is no call for mediation on our part so long as the interested parties are in direct negotiations. The unfortunate impression that we are trying to play an unduly prominent role would tend to be obviated by this, and it would not preclude such action as, in the light of future developments, might prove desirable.

GIBSON

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[52] Continued from *Foreign Relations*, 1930, vol. I, pp. 132–186.

[53] *Ibid.*, p. 185.

[54] René Massigli, chief of the League of Nations section of the French Ministry for Foreign Affairs.

[55] The reference is to the evident instability of the French Cabinet formed by Théodore Steeg on December 13, 1930, subsequently overturned on January 22, 1931.

[56] Robert L. Craigie, chief of the American Department of the British Foreign Office.

[57] Augusto Rosso, director general of the League of Nations section of the Italian Ministry for Foreign Affairs.

500.A15a3/1341 : Telegram

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

[Paraphrase]

LONDON, February 3, 1931—5 p. m.
[Received February 3—3:05 p. m.]

35. I understand that suggestions have been made to Paris that might form the grounds for the discussion of the Franco-Italian naval differences and possibly, in the view of some experts here in London, for their settlement. These suggestions have resulted from Craigie's visits to Geneva and Rome. French reports, I am told privately, have been discouraging and not constructive. It is Vansittart's [58] opinion that it is not at all in the interest of France to leave matters at this point. He told me today that he had written privately to Tyrrell [59] urging him to stimulate Briand's [60] greater personal attention to the experts' present attitudes by taking some opportunity to raise the naval question again at the Quai d'Orsay. Vansittart also expressed his personal view that it might now be a psychological time to indicate the concern of the United States Government in the outcome of the naval negotiations. He thought this might be done through a similar talk with Briand by Edge. If the Department should think this latter suggestion meritorious it might be best for Edge to talk first with Tyrrell. Tyrrell, if he had by then talked with Briand, would inform Edge of the reception which his points had had, and, in any event, would give him details on the attitudes of the experts. Vansittart thought also that it might be advisable for the Japanese Ambassador to follow separately a similar course with Briand. In any event he felt that any step taken should be of a private and informal nature in this stage of life of the new French Government.[61]

Repeated to Brussels.

DAWES

500.A15a3/1342a : Telegram

The Secretary of State to the Ambassador in France (Edge)

[Paraphrase]

WASHINGTON, February 4, 1931—2 p. m.

34. It seems possible, in view of the progress that seems to have been made in the Franco-Italian naval conversations, that with a

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[58] Sir Robert Vansittart, British Permanent Under Secretary of State for Foreign Affairs.
[59] William George Tyrrell, British Ambassador in France.
[60] Aristide Briand, French Minister for Foreign Affairs.
[61] Headed by Pierre Laval; formed January 26, 1931.

little good will France and Italy could settle the matter and become parties to the London Naval Treaty.[62] Of course the Laval government has just come into power and a little time will be required for it to determine its attitude. That has to be realized. However, I think it might be advisable for you to seek in the near future a purely informal and unofficial meeting with Briand. You should inform him of the keen interest which the United States Government feels in a speedy solution of this problem and recall to him how near the naval experts now are to each other. I am certain that he will appreciate the genuine concern of this Government in the outcome of these negotiations. A failure to solve this naval question, now reduced to its simplest form, would have such an adverse effect that I would seriously question the usefulness of participation in the forthcoming General Disarmament Conference.

Tyrrell has been kept advised on the details of the negotiations. You should consult him before you undertake the suggested informal talks with Briand. You should use your discretion as to whether to mention the subject to Laval.

Repeat to Brussels and London.

STIMSON

500.A15a3/1370

The Ambassador in France (Edge) to the Secretary of State

No. 1259 PARIS, February 14, 1931.
[Received February 26.]

SIR: Referring to your telegram No. 34, February 4, 2 P. M. and confirming my telegrams No. 49, February 7, 4 P. M. and No. 56, February 11, 6 P. M.,[63] I have the honor to inform the Department that, upon the receipt of the first telegram, I had the Counselor of the Embassy[64] call on Mr. Ronald Campbell, Counselor of the British Embassy, to explain the general situation to him and to arrange for me an interview with the British Ambassador.

I saw Lord Tyrrell on the morning of February 6th and had a long talk with him acquainting him with the contents of the Department's telegram. Lord Tyrrell said that, as I was undoubtedly aware, negotiations on this question had been in progress since last November; that the British viewpoint,—or perhaps he should say the viewpoint of the Foreign Office at London,—was that these negotiations between the French and Italians, in which the British had acted more or less in the nature of go-between, had gradually whittled away the differ-

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[62] Treaty for the Limitation and Reduction of Naval Armament, signed at London, April 22, 1930, *Foreign Relations*, 1930, vol. I, p. 107.

[63] No. 49 and No. 56 not printed.

[64] Norman Armour.

ences until the British Foreign Office felt that the points of view of both France and Italy were now clearly defined and that the distinction between them was not great, simply three or four thousand tons, and one eight thousand ton cruiser. In other words, that the situation was as described in your telegram. On the other hand, the French point of view,—as the British Embassy in Paris understood it,—was quite different; the French claiming that, in the final analysis, in spite of anything that might be said to the contrary, the Italians were still insisting on parity, although the use of the word was being avoided in the proposed scheme of settlement. Only the evening before, Tyrrell said, he had at last succeeded in obtaining from the French a definite statement of their position. Their objection was not only that the so-called Craigie proposals [65] called for the acceptance by the French of less than their minimum demands, but that it would leave the French at the end of the stipulated period, that is by 1936, with one hundred thousand tons of obsolete tonnage as compared with only eight thousand tons of obsolete, or more or less obsolete, Italian tonnage, thus cutting down the present margin of French superiority by some ninety odd thousand tons. Lord Tyrrell said that he had done his best to point out to the Foreign Office in London the French point of view, but that they refused to take the French position seriously. He said that he expected to see M. Briand that afternoon, adding that he would be glad to come to see me immediately after this conversation in order to put me "au courant" of the situation. The principal thing, Lord Tyrrell added, was that his Government, as well as our Government, should realize that the French along with all other countries were influenced by internal political conditions and allowance should be made for this fact. It was arranged that, in view of the fact that Lord Tyrrell was to see M. Briand that afternoon, I should do nothing until hearing from him further in the matter.

On the following morning, Saturday, February 7th, Lord Tyrrell called on me and informed me that on the previous afternoon, just after my call, he had received a telephone message from the Foreign Office in London instructing him to inform Briand that the British Government would like to have Craigie come over to Paris for a talk with Massigli. Briand had expressed his entire willingness to have the conversations renewed in the hope that some further headway could be made, and it was arranged that Craigie should come from London and meet Massigli on Monday, February 9th. The Ambassador assured me that he would keep me informed of the results of the conversations and suggested that, in view of the previous contacts which he had had with Massigli, Armour should get in touch with

[65] See telegram No. 31, November 20, 1930, from the chairman of the American delegation on the Preparatory Commission, *Foreign Relations*, 1930, vol. I, p. 180.

the latter following the Massigli-Craigie conversations and inform Massigli frankly that the British Embassy had advised us that the talks had taken place and that we would like to be informed of the French version of the result of these conversations in order to make the French point of view known to our Government. (In this connection Tyrrell said that he thought it particularly important that the French Government should have an opportunity to present its point of view to our Government direct and not through the intermediary of the British: that some days before in the House of Commons on a question relative to the Franco-Italian negotiations a member of the Government had replied that the American and Japanese Governments were being kept fully informed. This reply, he heard, had been somewhat loosely translated in the French press and the Government here had, he felt, rather jumped at the conclusion that the British Government had gone further than to keep us informed: that they had perhaps attempted to win us over to their, the British, point of view in the whole question, and he, Tyrrell, thought it important that the French should have such an idea dissipated which could best be done by the manner outlined above, namely, the offer, by our Embassy, to listen to the French side and transmit it to Washington for its information.)

In the meantime, Lord Tyrrell agreed with me that it would be better for me to refrain from discussing the matter with M. Briand until the results of the conversations between Massigli and Craigie were disclosed.

I asked Lord Tyrrell what he thought would happen if these conversations terminated without resulting in any agreement. He replied that he felt that there were still two methods of procedure: First, that an effort should be made for a further naval construction holiday to be participated in by all five of the nations which took part in the recent London Naval Conference.[66] He felt that this might be possible as no doubt all of the nations were anxious to reduce their budgets, and, moreover, this principle had already been carried out for some time by France and Italy.

Second, there was also the possibility of returning to the idea of a Four Power Treaty, giving France such protection, through an escalator clause, as might be deemed necessary in order to obtain her participation.

We then went on to a general discussion as to the effect of failure to reach some agreement on the forthcoming general League of Nations disarmament conference.[67] I indicated, as set forth in your telegram under reference, that failure on the part of the five nations to agree

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[66] See *Foreign Relations*, 1930, vol. I, pp. 1 ff.
[67] See pp. 471 ff.

on something tangible at this time would have an adverse effect on the proposed general conference as it would be quite obvious to all the nations that, if the five principal nations could not agree on a restricted naval program, it would be virtually impossible for fifty odd nations to agree on a disarmament proposal which was more comprehensive in its nature. Tyrrell agreed with me that this was true, but he also agreed with me that the time had not arrived to stress this feeling to the French.

On February 11th, in my telegram No. 56, February 11, 6 P. M., I informed you that the Craigie-Massigli conversations, begun on Monday, had to be discontinued on the following day owing to the illness of Massigli. Massigli's illness continuing, it was found impossible to renew the conversations until Thursday evening. On Wednesday, February 11th, I lunched with the British Ambassador, and Craigie was also present, which gave me an opportunity to talk over the matter with Craigie after the luncheon. He told me that he felt that his revised proposals, permitting the French Government a superior tonnage of approximately 235,000 tons formed a reasonable possible basis for agreement between the French and Italians and that Massigli seemed reasonably favorably disposed toward them. As to the question of obsolete tonnage touched upon above, Craigie felt that this would not present an insuperable difficulty. (In my telegram, however, I pointed out to the Department that I was not as sanguine perhaps as Craigie in this regard as I had reason to believe that the position of the French Ministry of Marine, referred to in my telegram No. 49, February 7, 4 P. M., remained unchanged.) Craigie went on to say that he had a tentative understanding with Massigli that the Ministry of Marine would withhold the presentation of their 1931 program, which was scheduled to be sent to the French Chamber that week, pending the result of these conversations, but admitted that he was somewhat perturbed over the possibility that Massigli's illness, which was postponing the conversations, might interfere with this understanding.

Craigie's fears appeared to be justified, as on the following morning I was informed by our Military Attaché that he had learned from a reliable source that the naval program had been presented to the Finance Committee of the Chamber the evening before, that is to say, some hours after my conversation with Craigie. This program, as set forth in my telegram, provides for the following: One, 23,000 ton battleship; two light cruisers, one of 7,500 tons and one of 6,100 tons; two submarines and other vessels of the unlimited category as forecasted at the London Naval Conference,[68] totalling altogether 43,000 tons. Craigie, when this program was shown to

[68] See article 8 of the London Naval Treaty, *Foreign Relations*, 1930, vol. I, p. 113.

him, stated that it agreed with his information except that he understood that France would insist on one submarine only. That, however, may represent the difference in the attitude of the French Foreign Office and the Ministry of Marine.

With reference to the above program, it might be pointed out that the two changes of importance seem to be: First, the building of 6.1 inch gun cruisers rather than 10,000 ton Washington cruisers; and second, the reduction in submarine tonnage below what is required for replacement of out-of-date tonnage this year. In the light cruiser category, that is, 6.1 inch gun, I am informed that the French have four in service and one building, while the Italians have six built, four building and two appropriated for.

On the night of February 12th I understand that Massigli was well enough to receive Craigie and the conversations were resumed on that evening and continued yesterday and to-day. Yesterday morning Craigie telephoned the Embassy to call my attention to a telegram published in *Le Matin* that morning, bearing a Washington headline, and apparently sent by the French Radio Agency, which telegram was as follows:

"In spite of pessimistic telegrams from Paris, the officials of the Department of State announce they have received information from an authorized source indicating a real progress in the Franco-Italian negotiations relative to the limitation of naval armaments, and declaring that it was not to be feared that Great Britain would be obliged to use the escalator clause of the London treaty [70] because a Franco-Italian agreement will be reached to complete the edifice of the recent naval treaty."

Other papers carried a similarly optimistic article, although not stating affirmatively that an agreement would be reached.

A telegram published in the Paris edition of the New York *Herald*, which apparently was a Washington message or at least so dated, stated:

"Although newspaper despatches from France are pessimistic about the outcome of the Anglo-French conversations on naval limitation now going on in Paris, State Department officials announced to-day that they had received authentic reports indicating 'real progress' in the negotiations between France and Italy regarding limitation.

"They declared they had no apprehension that the British Government would be forced to resort to the safeguard clause of the London naval treaty because of Franco-Italian competitive building."

Craigie said that, in view of the undoubted opposition here on the part of various officials, notably at the Ministry of Marine, he was proceeding with great care and expressed concern lest the French

[70] Article 21 was the so-called "escalator clause" of the London Naval Treaty.

might draw the deduction from these telegrams that the optimism in Washington was based upon something received from him, presumably through this Embassy, and he felt that such an impression would only tend to strengthen the hand of the opposition. As he seemed to be so worried over this, I thought it best to bring the matter to your attention, which I did in my telegram No. 62, February 13, 1 P. M.[71] I shall, of course, not fail to keep the Department informed of further developments, but I do not anticipate that I shall have much to report until the beginning of next week as I understand that Craigie is remaining in Paris for some days longer in order to continue the conversations, and in view of my agreement with Tyrrell I do not wish to press the British too hard, at least until Craigie has had an opportunity to thrash the matter out thoroughly with Massigli.

Respectfully yours, WALTER E. EDGE

500.A15a3/1357 : Telegram

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

[Paraphrase]

LONDON, February 19, 1931—5 p. m.
[Received 5:12 p. m.]

47. Reference is made to my 43 of February 18, noon.[71] I was called this morning to 10 Downing Street by Prime Minister MacDonald. He commenced by requesting that we treat what he said with the utmost secrecy, since the prospect of an agreement might be destroyed by any disclosures in either the French or the Italian papers of the matter of which he was to speak until Craigie had finished his work at Rome. The Prime Minister stated that Craigie returned yesterday from Paris, and reported the result of his negotiations on naval building with the representatives of the French and Italian Governments to the Prime Minister, the Foreign Secretary[72] and the First Lord of the Admiralty.[73] The whole scheme was stated by the Prime Minister as being tentative at the moment. He stated that, as he had not yet got the particulars himself, he could not supply me with them, but that as soon as Craigie reported after his visits to Paris and Rome he would give me this information. He stated that, taken as a whole, they are a great improvement on any agreements hitherto proposed, and to the best of the Prime Minister's belief, are generally on the lines of the information already sent to you. Craigie informed

[71] Not printed.
[72] Arthur Henderson.
[73] A. V. Alexander.

the Prime Minister that the agreement was the very best he could do at the moment, although the Prime Minister stated he did not consider them quite satisfactory.

The Admiralty, according to the Prime Minister, would be willing to accept the proposed terms under protest with one exception. This relates to the French submarine tonnage which, as against our three-power agreement of 52,700 tons, is between 80,000 and 90,000 tons. The difference must, the British Admiralty insists, be made good by the building of destroyers by Great Britain up to a total tonnage of about 200,000, and has requested that this be considered by the Cabinet in relation to article 21 of the treaty.

It was stated by the Prime Minister that he was most unwilling to bring this article into operation, and that he had told his colleagues that he would see me this morning and tell me provisionally what is considered by the Cabinet and himself as the best thing to do. If Craigie informs them that the scheme which he now has in mind is the best that he can get the two Governments to accept, they propose to communicate immediately with the Japanese Ambassador [74] and myself, requesting that we should ask our Governments to agree to a meeting, summoned by the Prime Minister as Chairman, of the adjourned Naval Conference. He stated that this would not mean a return of any of the delegates, but that they could give to whoever was most convenient as a representative the necessary instructions. The British Government's attitude, the French and Italian figures having been presented to the Conference, would then be as follows:

In the first place, the figures could not be accepted by them as altogether consistent with their security; in the second place, the British position, if these two Governments were prepared to make certain declarations regarding their temporary character and also covering other safeguards that would arise (which parenthetically the Prime Minister says he knows would be done), would be this:

In view of the forthcoming Disarmament Conference the British, although in their opinion building on the program submitted would in the ordinary way compel them to invoke article 21 of the Naval Agreement, should not do so; they would trust to further negotiations preparatory to that Conference, thereby enabling Great Britain, France, and Italy to come now to a complete understanding, which could make a five-power treaty out of part 3 of the London Naval Agreement. It was stated by the Prime Minister that his Admiralty was insisting very strenuously that an increase in British destroyers is made necessary in order to maintain equilibrium if the French position as to submarines as outlined in Craigie's report is accepted. Recourse by the United States also to article 21 in connection with de-

[74] Tsuneo Matsudaira.

stroyers would also of course be necessitated by this agreement. The situation in regard to submarines was, the Prime Minister stated, deplored by him, but in the interests of a five-power agreement limiting all building, and because the matter would again be considered at the Disarmament Conference, he was willing to face the House of Commons on the question of the concession on submarines, although great difficulty is expected there from a refusal to act under article 21.

I called on Henderson at the Foreign Office after this conference with the Prime Minister. He informed me confidentially that Craigie was not hopeful that he would secure a preliminary Franco-Italian agreement, feeling that "he was about at the end of his rope". This is submitted simply to give you all relevant information which I can obtain, not as bearing on the importance of the Prime Minister's statement to me.

This morning Craigie left for Paris; he will proceed directly to Rome if conversations take a favorable turn.

DAWES

500.A15a3/1360 : Telegram

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

[Paraphrase]

LONDON, February 23, 1931—1 p. m.
[Received 1:25 p. m.]

50. Referring to my No. 47 of February 19, 5 p. m., I am told that Craigie, on his return to London, brought back the French proposals which the French desired to have written into the London Naval Treaty. The French figures were found by Henderson, who fears an unexpected reaction on further limitation or reduction in naval armaments, to be too large for inclusion in the treaty. The French were informed of Henderson's attitude by Craigie when he reached Paris last Thursday, but did not change their attitude; on last Saturday, therefore, Craigie returned to London followed by a special messenger carrying a letter from Briand to Henderson setting forth Briand's hopes of cooperation.

This morning Henderson, Alexander, and Craigie left for Paris, and I am advised by the Foreign Office that they will inform Briand that the French figures for embodiment in the London Naval Treaty cannot be accepted by the British. The possibility, however, is contemplated by Henderson of the British making a declaration stating that the French figures for embodiment in the Treaty cannot be accepted by England, but adding that the British Government will take no action under article 21 in view of the 1932 Disarmament Conference. It is hoped by Henderson, I understand, that this declaration (which in fact

may be described as a gentlemen's agreement providing an answer to hostile questions in Parliament) will be accepted by the French, and that they will not attempt to force the writing of their proposals into the London Naval Treaty before the 1932 Disarmament Conference. The entire party will proceed to Rome if the conversations in Paris are considered by Henderson to be sufficiently successful.

There are articles in the local press of yesterday and today from Paris correspondents quoting in part "Pertinax", alleging agreement in Anglo-French conversations, but the London *Times* reports today that since an agreement between France and Great Britain is still delayed by the question of French submarine tonnage, this conclusion is hasty.

DAWES

500.A15a3/1373

The British Ambassador (Lindsay) to the Secretary of State

No. 54 WASHINGTON, February 25, 1931.

SIR: With reference to the International Treaty for the Limitation and Reduction of Naval Armament signed at London on April 22nd, 1930, I have the honour, under instructions from His Majesty's Principal Secretary of State for Foreign Affairs, to inform you that, as a result of conversations which he and the First Lord of the Admiralty have had in Paris, a provisional agreement has been reached on the following points subject of course to the concurrence of the United States, the Japanese and the Italian Governments:—

(1) *Capital ships.* Without prejudice to a subsequent general revision of capital ship tonnages fixed by the Treaty of Washington, the total tonnage of capital ships which France and Italy may retain under the Treaty of Washington to be raised from 175,000 tons [75] to 181,000 tons. The purpose of this provision is to permit France to retain one capital ship of the *Jean Bart* class which she would otherwise be obliged to scrap on completion of her second new battle cruiser.[76] This should greatly facilitate an agreement with Italy because it would enable the present French superiority in capital ships to continue throughout the period of the agreement notwithstanding the construction of new capital ships by France and Italy. While His Majesty's Government greatly regret the necessity of any increase, however slight, in the capital ship tonnages agreed on at Washington, they feel, if this arrangement would in fact facilitate a provisional settlement of the immensely difficult Franco-Italian naval problem, that this price should be reluctantly paid. I am to express the earnest hope that the United States Government will be prepared to agree to this increase in the interest of a general settlement.

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[75] Article 4 of treaty signed at Washington, February 6, 1922, *Foreign Relations*, 1922, vol. I, p. 247.

[76] See in the Washington Treaty the table for the Replacement and Scrapping of Capital Ships (France), *ibid.*, p. 261.

(2) *Cruisers, destroyers and submarines.* The agreement proposed is on the general lines of that under discussion between Messrs. Massigli, Rosso and Craigie at Geneva last December.[77] The only modifications are that the over age position would be changed by France keeping a greater quantity over age in the light surface craft category and a smaller quantity in first class cruisers and capital ship categories. The total of French over age would however remain approximately the same.

(3) *Submarines.* No further construction other than for completing the 1930 programme and for the replacement of tonnage becoming over age after December 31st, 1931. The French Government was unable to accept a lower figure than that resulting from this formula (viz. 81,989 tons) but it agrees that the question can be reopened if the whole naval question comes up for fresh discussion at the Disarmament Conference in 1932.

(4) His Majesty's Government maintain that this figure is too high in relation to the British destroyer figure of 150,000 tons under the London Naval Treaty but they agree to notify the other Powers under Part 3 of the Naval Treaty that they will not have recourse to Article 21 of that Treaty pending the general revision of the naval question mentioned above. Should it not be possible at the 1932 Conference to arrive at a more satisfactory equilibrium between the French submarine tonnage and British destroyer tonnage, His Majesty's Government will retain their right to make such increase as they may judge necessary in the British destroyer figure of 150,000 tons.

(5) It was also agreed that a declaration on the following lines should be signed either by the Three Powers immediately interested or by the Five Powers signatories of the London Naval Treaty. It is understood that the present agreement establishes no permanent ratio in any category of ship as between the British Empire, France and Italy and that in particular no precedent is being created for a final solution of the question whether and in what manner, tonnage remaining over age on December 31st, 1931 may ultimately be replaced.

Mr. Henderson and the First Lord of the Admiralty have now left for Rome to put these proposals before the Italian Government but Mr. Henderson has thought it desirable to inform the United States Government officially of the position now reached in the hope that they will be prepared to secure an agreement on the lines now contemplated.

I am instructed to enquire the views of the United States Government on the above proposals and to express the hope that Mr. Henderson may be informed of them at the earliest possible moment. At the same time I am to urge emphatically the need for absolute secrecy as any leakage at this stage might have the worst possible consequences.

I have [etc.] R. C. LINDSAY

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[77] See *ibid.*, 1930, vol. I, pp. 181–183.

500.A15a3/1373

Memorandum by the Secretary of State [78]

WASHINGTON, February 26, 1931.

I am much gratified at the progress which has been made and the prospect of a limitation upon both France and Italy in the manner proposed. There is no doubt that such an arrangement would be a very substantial contribution to the achievement of the London Treaty. But I think that great care and study must be given to the procedure by which this arrangement is effectuated. While my views are necessarily tentative until we have the full details of the proposed arrangement, my first impression is that it will be wiser as well as easier and equally satisfactory if the arrangement is placed in the form of joint declarations by France and Italy rather than by an attempt to include them in the Five Power Treaty. This might make possible the acceptance of France's battleship building program by a declaration of no objection on the part of the Washington Treaty Powers, rather than by a formal amendment of that Treaty. Any other course might entail serious delays and risks in ratification.

H[ENRY] L. S[TIMSON]

500.A15a3/1379 : Telegram

The Ambassador in Italy (Garrett) to the Secretary of State

ROME, February 28, 1931—6 p. m.
[Received February 28—5:40 p. m.]

29. Following communiqué issued this afternoon:

"As a result of the friendly conversations which have taken place in a spirit of cordial collaboration between the Chief of the Italian Government, Signor Grandi,[79] and Signor Sirianni [80] and Mr. Henderson and Mr. Alexander, agreement has been reached in principle on questions left outstanding at the London Naval Conference.

The terms of the proposed agreement have still to be submitted to the French Government and Mr. Henderson and Mr. Alexander are proceeding to Paris for this purpose.

Should the French Government agree, the proposals will then be submitted to the Governments of the United States, Japan, Great Britain, and the British Dominions who were represented at the London Naval Conference."

[Paraphrase.] Mr. Henderson asked the British Ambassador to give out absolutely nothing but the above communiqué even to myself

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[78] Handed to the British Ambassador by the Chief of the Division of Western European Affairs, February 26, 1931.

[79] Dino Grandi, Italian Minister for Foreign Affairs.

[80] Giuseppe Sirianni, Italian Minister of Marine.

and the French Ambassador. However, from a completely trustworthy source I have learned that there is a complete feeling that the Henderson-Alexander mission, after an all-day session yesterday and telephonic conversation with the French Foreign Office until last midnight, has succeeded. Italy has accepted everything except one question which still remains to be settled. Italy proposes to keep some 5,000 tons of over-age and non-replaceable submarines to bring her paper figures up to British, American, and Japanese levels. Henderson has promised to cable complete details from Paris to the British Embassy at Washington for your information. Brussels, Berne, London, and Paris are informed. [End paraphrase.]

GARRETT

500.A15a3/1380 : Telegram

The Ambassador in France (Edge) to the Secretary of State

PARIS, March 1, 1931—10 p. m.
[Received 11:15 p. m.]

93. The following statement has been issued to the press by the Foreign Office:

"Henderson and Alexander have informed the French Minister for Foreign Affairs and the Minister of Marine of the result of their conversations in Rome with Mussolini and Grandi. Henderson and Briand after their conversations at the Quai d' Orsay this afternoon addressed the following telegram to Grandi:

'We are happy to inform you that we entirely agree with the accord reached in Rome on the questions of naval limitations and naval disarmament pending since the Naval Treaty of London.

We are ready to submit and to recommend this accord to our Governments and to the other signatories to the Naval Treaty.

We wish to express our appreciation of the friendly disposition and the courtesy shown by the Italian Government in the course of the recent negotiations, particularly during the last discussions in Rome where it made loyal efforts to facilitate between us a reduction of our divergences.

We are confident that the accord reached between our three countries will contribute to the world peace. It is our sincere desire not to neglect any opportunity to utilize for world peace all the benefits which will result from such an atmosphere of friendship and confidence as will follow this happy event for which we congratulate you and we express to you and your country our most cordial sentiments and best wishes. Briand, Henderson' ".

Following the publication of the above statement the Minister for Foreign Affairs and the Minister of Marine explained to the press that although they had the figures ready to give to the press tonight the British delegates had asked to have them held until the British Government had submitted the new accord to Washington and Toyko as well as to the British Dominions and that the figures would therefore not be released probably until Wednesday.

EDGE

580766—46——31

500.A15a3/1386

Memorandum by the Secretary of State of a Conversation With the British Ambassador (Lindsay)

[WASHINGTON,] March 2, 1931.

I sent for the British Ambassador this morning and I told him that there had been a report in the *Matin* saying that as a part of the recent Franco-Italian agreement arranged by Messrs. Henderson and Alexander there was a provision restricting the size of battleships to about 26,000 tons and that it would be necessary to amend the London Treaty in this respect. I said that I did not think this could be true and was not inclined to take the report seriously, for I could not believe that I had been kept informed of the details of the agreement in the way which I had by these negotiators and left in ignorance of such a vitally important point. Nevertheless, it would be so serious if there was any truth in it that I had asked the Ambassador to come down so that I could tell him what our attitude had been at the London Conference on the question of the size of battleships, and in order that he might warn his government that it would be far better not to let such a question come up than to have it come up publicly and receive the answer that we should have to give it. He broke in and said, "I understand perfectly. You want to give me a caveat." I said, "Yes." I then told him of Mr. MacDonald's speech which came to us by radio while we were on the *George Washington* on our way to London, favoring a reduction in the size of battleships, and of my visit and interview with MacDonald immediately on my arrival in London,[81] at which time I told him of the American position and how we saw no possibility of accepting such a reduction but instead favored a reduction in number if there was to be any reduction in battleship tonnage. I told him how Mr. MacDonald had accepted our position and had come to it himself as he found his own Admiralty took the same view we did. I told him of my interview with the King and MacDonald's attitude about that, and I said that the introduction of any such feature into the present arrangement would in my opinion bring about serious consequences to the success of the arrangement, because I did not think it could possibly be accepted by the Senate. I told him that moreover the entire American Delegation were against the reduction of the size of battleships under present conditions. He said he understood me perfectly. When I referred to the similar attitude of the British Admiralty, he acquiesced. He said he would communicate with his Government.

[81] See telegram No. 4, January 19, 1930, from the chairman of the American delegation, *Foreign Relations*, 1930, vol. I, p. 2.

He then left with me a copy of the message sent by Mr. Henderson and M. Briand to Signor Grandi on March 1st. He said the message had already been published in the press, but he had received this from his government and as there was some difference in the text he would leave this copy with me.[82]

H[ENRY] L. S[TIMSON]

500.A15a3/1399

The British Ambassador (Lindsay) to the Secretary of State

WASHINGTON, March 5, 1931.

MY DEAR MR. SECRETARY OF STATE: The annexed memorandum contains the text of the basis of agreement now reached[83] with reference to the problems left outstanding by the London Naval Conference. It is still subject, however, to minor drafting amendments. In conveying to you confidentially the information contained therein Mr. Henderson asks me to say the following:—

Throughout our negotiations it has been recognized on all sides that our acceptance of any settlement is of course subject to the assent of the other signatories of the London Naval Treaty.

Our view is that the figure of 81,989 tons for French submarines is extremely high but we hope that a more satisfactory settlement of the submarine question may be possible during the World Disarmament Conference at Geneva.

In any case we are unable substantially to improve on the present position in respect of the proposed figure for submarine tonnage. We have to reserve our full rights to increase our destroyer figure under Article 21 of London Naval Treaty.

I regret that an increase, however small, should have been necessary in the French and Italian capital ship tonnages fixed by the Treaty of Washington, but it will be seen that this increase will not give rise to any new construction during the period of the Treaty and will merely operate to enable France to retain an existing overage capital ship which she might otherwise have been obliged to scrap on completion of her second capital ship. Moreover, the increase is agreed to without prejudice to any general scaling down of capital ship levels which may be brought about at later conferences.

There is no truth in the report that the new naval agreement contemplates a general reduction of the maximum size of battleships. It is proposed, however, that His Majesty's Government should inform

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[82] Not printed; for text of message as transmitted to the Department by the Ambassador in France, see *supra*. The differences in the texts are purely verbal.

[83] Memorandum not printed; for text of the bases of agreement, see p. 380.

both the French and Italian Governments in a separate communication that they continue to favour, so far as they are concerned, a reduction in the maximum displacement of capital ships fixed by the Treaty of Washington and also reduction of the maximum gun calibre to twelve inches.

I propose that the agreement should be recorded in the form of separate declarations and the actual form which these shall take is now being studied.

I do not anticipate that the French and Italian Governments will raise any difficulty on this point.

In conveying the above to you I am to say that Mr. Henderson will be happy to furnish you at once with any further explanation of which you may stand in need.

Mr. Henderson's message concludes as follows:—

We are particularly anxious that this information should be regarded as strictly confidential until the assent of all the Governments parties to the London Naval Treaty has been obtained. I trust that, in view of the great political advantages which may be expected to follow upon the conclusion of the proposed agreement, the United States Government will see their way to concur in the agreement which has emerged from many months of difficult negotiation. It would be particularly agreeable to His Majesty's Government if it were possible to announce the terms on Monday, March 9th next by agreement with all the other signatories.

Believe me [etc.] R. C. LINDSAY

500.A15a3/1399

The Secretary of State to the British Ambassador (Lindsay)

WASHINGTON, March 6, 1931.

MY DEAR MR. AMBASSADOR: I have received your note of March fourth [*fifth*], with the annexed memorandum, containing the tentative text of the agreement which has been recently reached between Great Britain, France and Italy. I shall await the final text with much interest. As I have already tried to make it clear to your Government in my previous communications to you, I think that the final success of the agreement which Messrs. Henderson, Alexander and Craigie have brought so successfully to this stage will depend very largely on the form and method in which it is consummated and finally submitted to the five Powers. The more I have considered it and discussed it with the representatives of my Government, the more clear it seems to me that in every respect except one this new agreement should be solely an agreement between or declaration by Great Britain,

France and Italy, which those three Powers have made between themselves respecting the levels of armaments of their auxiliary vessels, which agreement when finally attained between those three is merely presented to the other two, the United States and Japan, for their notation and information. If instead of this the United States were asked to become a party to an agreement which was to be made an integral portion of the London Naval Treaty, Part 3, by which the United States formally agreed that France should have 81,000 tons of submarines and the United States only 52,000 tons, I can see an endless vista of delay and discussion before the United States Senate. Whereas, on the other hand if it were presented to the United States as an arrangement solely between France and Italy, and possibly Great Britain, on which we were not called to pass but which had the great advantage of bringing about a practical restriction upon France and Italy (even though a high one) which does not now exist at all, it would be regarded here as truly in the light of a great advantage over the existing *status quo*.

The only provision in the whole arrangement which may require a formal agreement between all five of the naval Powers is the provision permitting a possible extension of the capital ship allowance to France and Italy from 175,000 tons to 181,000 tons. This extension of the figures of the Washington Treaty, however, is so slight at most and will not come into force until so near the termination of the London Treaty that I think it will not offer serious difficulty. I am now inclined to think that this feature could best be effected by an exchange of notes between the five Governments, which in our case will probably be submitted to our Senate.

If the entire arrangement could follow the form which I have outlined above, namely, an agreement or joint declarations on the part of the three Powers as to the auxiliary craft, which would simply be brought to the attention of the other two Powers, and an exchange of notes between the five Powers as to the slight alteration of the Washington Treaty in respect to the limit of battleship tonnage for France and Italy; I feel that this whole arrangement would stand in its best possible light before the peoples of all five countries and would win the immediate and general approval which it deserves.

The form of this arrangement is of such importance that I am seeking to expedite the labors of draftsmanship which you tell me are now going on in London by frankly advising you of my views beforehand. If the final form when completed follows approximately this line, there will be a minimum of delay in giving you my final acceptance of it, and I am encouraged by what you have previously told me to the effect that my views are in general accord with those of Mr. Henderson.

I am [etc.] HENRY L. STIMSON

500.A15a3/1417

The British Ambassador (Lindsay) to the Secretary of State

WASHINGTON, March 10, 1931.

MY DEAR MR. SECRETARY OF STATE: I have this morning received a telegram from Mr. Henderson asking me to thank you for the message contained in your letter of March 6th regarding the basis of settlement of the problems left outstanding from the London Naval Conference.

Mr. Henderson asks me to inform you that your views as to the form in which the agreement should be cast accord very closely with his own and, he believes, with those of the French and Italian Governments.

The telegram proceeds:—"It is not proposed to make more than verbal change in the 'bases of agreement' before publication on Wednesday and any announcement as to the form in which the agreement should be cast can well be left to a later stage. I hope therefore that it may be possible to announce at an early date that the United States Government agree with the proposed 'bases of agreement' subject to a satisfactory settlement of questions of form."

The message concludes as follows, though I should mention that the underlined words [84] were not included in the cyphered text as it reached this Embassy and have been inserted here in order to make the sense of the message clear:—

"It seems plain to us that in order to settle the form and contents of the document(s) in which the bases of agreement will be *cast it will be* necessary to convoke a drafting committee, probably in London and in view of our great desire that these questions should be settled in a manner satisfactory to the United States Government we much hope that they will be prepared to be represented on this committee. The Japanese Government would also no doubt wish to be represented."

Believe me [etc.] R. C. LINDSAY

500.A15a3/1420

The British Ambassador (Lindsay) to the Secretary of State

WASHINGTON, March 11, 1931.

MY DEAR MR. SECRETARY OF STATE: In my communication of yesterday regarding the basis of settlement of the problems left outstanding from the London Naval Conference I informed you of the conclusion which had now been reached to the effect that in order to settle the form and contents of the documents in which the bases of agreement are to be cast it will be necessary to convoke a drafting committee,

[84] Printed in italics.

probably in London, and of the hope which I was instructed to express that the United States Government would be prepared to be represented on this committee.

I am now instructed to request the views of the United States Government at the earliest possible moment, as His Majesty's Government are anxious to communicate with the Japanese Government on the subject without delay. The French Government, I understand, consider it essential that the drafting committee should meet immediately, a view with which His Majesty's Government agree.

I should be most grateful, my dear Mr. Secretary, if you would advise me what reply I should return to Mr. Henderson.

Believe me [etc.] R. C. LINDSAY

500.A15a3/1432

The Italian Ambassador (De Martino) to the Assistant Secretary of State (Castle)

WASHINGTON, March 12, 1931.

MY DEAR MR. CASTLE: Following to our conversation of this morning,[85] I take pleasure in sending you herewith the substance of a cable I received from Rome, concerning some modifications that have been asked of the Italian Government, on French suggestion, just before the publication of the Naval Agreement: and the main objections of my Government to them.

You told me this morning, talking in a quite personal way, that, in fact, you could not see the weight of the objection No. 2 on the part of my Government, concerning the laying down of destroyers. You based your opinion on the fact that the construction of destroyers would necessitate a period of about nine months. And you recalled that, during the war, destroyers had been built in the United States in that time. However, I am informed by our Naval Attaché that in Italy the construction of destroyers requires a period of time substantially longer than nine months. And my attention has also been called to the fact that even in this Country many of the destroyers hastily built in war time have had to be scrapped before they were over age. This circumstance would indicate that the period quoted above is normally too short for the construction of destroyers.

I am giving you this information also in a personal way.

Believe me [etc.] DE MARTINO

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[85] Memorandum of conversation not printed.

[Enclosure]

Memorandum by the Italian Embassy

MARCH 12, 1931.

The Ambassador is informed that the text of the naval accord published yesterday March 11 in Italy is the one accepted by Italy at the conclusion of the negotiations made in Rome, with some modifications of form suggested later by the British Government. However, in these last days the British Government has submitted to the Italian Government some amendments desired by the French Government as follows:[87]

1) Insertion of the words "subject to the provisions mentioned in paragraph one (*b*)" in the provision relative to the faculty for Italy and France to scrap old cruisers with guns over 155 m/m instead of small cruisers or destroyers when replacing units of this last category.
2) Modification of the second sentence of paragraph B (*b*) to read "Italy and France do not intend starting to replace before December 31, 1936 etc." instead of "Italy and France do not intend replacing before etc."
3) Adding to the end of paragraph B (*d*) the words "and that be not in conflict with the provisions of the present treaty."

It has been pointed out to the British Government that the above mentioned amendments are not merely of form, but do alter the substance of the accord bearing as a consequence:

1) to prevent Italy from availing herself of the faculty to scrap old cruisers instead of light cruisers or destroyers before completion of line vessels;
2) to prevent Italy from replacing* in 1935–36 the destroyers which will reach the 16 year age limit in 1937–38: which constitutes a derogation at the exclusive prejudice of Italy of the faculty derived from Art. 19 of the London Treaty.
3) to raise a doubt as to the faculty for Italy to possibly avail herself against a third party of the escalator clause as per Art. 21 of the London Treaty.

For the above mentioned reasons the Italian Government has notified London that it could not accept the amendments suggested and that naturally it could not consider them as valid even though they be included in the text published by other powers.

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[87] For text of the accord, see p. 380.
*word subject to correction. [Footnote in the original.]

500.A15a3/1424a : Telegram

The Secretary of State to Senator Dwight W. Morrow [88]

WASHINGTON, March 13, 1931.

Henderson desires that we should be represented in a drafting committee to put in shape the recent naval agreement. I do not wish to interfere with your vacation by asking you to assume that position but if you would be willing to go to London on your arrival in Europe long enough to explain my views thoroughly to Henderson, Malkin [89] and Dawes, it might then be possible to have the work carried on by others. Your recollection as to my views can be refreshed by recent cables to Dawes. Your influence in directing this into expeditious and safe channels so far as American ratification is concerned would be most helpful and I cannot think of any other person who could take your place. I might ask Rublee [90] to come over later to carry on your suggestions.

STIMSON

841.30/90

The Counselor of Embassy in Great Britain (Atherton) to the Secretary of State

[Extract]

No. 1753 LONDON, March 14, 1931.
[Received March 26.]

SIR: I have the honor to transmit herewith copies in quintuplicate of the official Hansard text of the debate occurring in the House of Commons on March 11 [91] when Mr. Alexander, First Lord of the Admiralty, introduced the 1931 Navy Estimates, copies of which were transmitted with the Embassy's despatch No. 1729 of March 6, 1931.[92] In introducing these Estimates, Mr. Alexander made important references to the course of the Anglo-Italian-French naval conversations and to the Government White Paper issued on March 11 giving the bases of agreement reached.[93] Five copies of this Government publication are attached hereto.

. . . . . .

RAY ATHERTON

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[88] Senator from New Jersey; he was on board the S. S. *Leviathan*.
[89] Sir Herbert William Malkin, legal adviser to the British Foreign Office.
[90] George Rublee, adviser to the American delegation to the London Naval Conference, 1930.
[91] Not reprinted.
[92] Not printed.
[93] The annex entitled "Bases of Agreement" is the only portion of this document printed here.

[Enclosure]

Bases of Agreement

(March 1, 1931)

A.—VESSELS WHOSE TONNAGE IS REGULATED BY THE TREATY OF WASHINGTON

I.—*Capital Ships.*

(*a*) Before the 31st December, 1936, France and Italy may respectively complete two capital ships, the displacement of each of which will not exceed 23,333 tons and the gun calibre of which will not exceed 12 inches.

(*b*) On completion of each of these ships, France will scrap one ship of the *Diderot* class; similarly, Italy will scrap approximately 16,820 tons of first-class over-age cruisers (making a total of 33,640 tons).

(*c*) Without prejudice to a general revision of the capital-ship tonnages established by the Treaty of Washington, and in order to facilitate the conclusion of the present arrangement, the total tonnage in this category accorded to France and Italy respectively under the treaty shall be raised from 175,000 tons to 181,000 tons.

II.—*Aircraft Carriers.*

Before the 31st December, 1936, France and Italy may complete respectively 34,000 tons of aircraft carriers.

Note to I and II.—The French and Italian Governments will give one another as long notice as possible of their intention to seek parliamentary authority for the construction of any ships in either of these two categories.

The above provisions will be included in an exchange of letters between the Ministers of Marine of France and Italy, except the provision contained in paragraph I (*c*) which will form the subject of a special protocol or declaration.

B.—VESSELS WHOSE TONNAGE IS REGULATED BY THE TREATY OF LONDON

France and Italy will conform to the following rules in preparing their programmes for construction to be completed before the 31st December, 1936:—

(*a*) *Cruisers with Guns of more than 6.1-inch (155 m/m) Calibre.*

No further construction after completion of the 1930 programme.

(*b*) *Cruisers with Guns of 6.1-inch (155 m/m) Calibre or less and Destroyers.*

The tonnage of new construction to be completed shall not exceed the tonnage which is replaceable in this category before the 31st De-

cember, 1936. Vessels already over-age and vessels becoming over-age during the period of the treaty shall be scrapped on being replaced,* except in cases where either France or Italy prefers to scrap instead an equivalent tonnage belonging to the category of cruisers with guns of more than 6.1 inch (155 m/m) calibre.*

It is hereby declared that for the purpose of this arrangement the Members of the British Commonwealth of Nations, France and Italy do not intend to undertake the replacement before the 31st December, 1936, of any destroyer which will be under sixteen years of age on that date. At the same time it is understood that if the present agreement is brought to an end as a result of the deliberations of the General Disarmament Conference of 1932, the right of replacement under the replacement rules of the London Naval Treaty remains intact.

(*c*) *Submarines.*

No further construction other than for completion of the 1930 programme and for the replacement of tonnage becoming over-age after the 31st December, 1931. Over-age vessels shall be scrapped, except where scrapping would result in the total submarine tonnage figure falling below the submarine figure mentioned in article 16 of the Treaty of London.

Subject to a general revision of the naval question in the course of the Disarmament Conference of 1932, the tonnage of French submarines in commission will not exceed, up to the 31st December, 1936, the figure of 81,989 tons, representing at the present moment the under-age tonnage of vessels built or building. The Members of the British Commonwealth of Nations maintain that this figure of 81,989 tons is too high in relation to their destroyer figure of 150,000 tons under the London Naval Treaty, but they agree to notify the other signatories of Part III of the Treaty of London that they will not have recourse to article 21 of the London Treaty pending the general revision of the naval question mentioned above. Should it not be possible at the 1932 conference to arrive at a satisfactory equilibrium between French submarine tonnage and British Commonwealth destroyer tonnage, the Members of the British Commonwealth of Nations will retain their right to make such increase as they may judge necessary in their destroyer figure of 150,000 tons.

C.—General Provisions

(*a*) France and Italy furthermore declare (1) that they will accept all the provisions of Part III of the London Naval Treaty in so far

*It is suggested that, for the sake of clarity, this sentence should be re-drafted as follows after the words "on being replaced":—

"Nevertheless, subject to the engagements mentioned in paragraph I (*b*), France and Italy may scrap, instead of over-age light surface vessels, a tonnage of cruisers with guns of more than 6.1-inch (155 m/m), equivalent to the total of the new units completed." [Footnote in the original.]

as it applies to the Members of the British Commonwealth of Nations, the United States of America and Japan; (2) that they will accept, in so far as they are concerned, those provisions which are of general application and which do not conflict with the provisions of the present arrangement.

(*b*) At the time of the signature of this arrangement a declaration in the following sense would be signed either by the Members of the British Commonwealth of Nations, France and Italy, or else by all the parties to the London Treaty:—

It is understood that the present arrangement establishes no permanent ratio in any category of ship as between the Members of the British Commonwealth of Nations, France and Italy. In particular, no precedent is being created for the final solution of the question whether, and if so in what manner, tonnage remaining over-age on the 31st December, 1936, may ultimately be replaced.

500.A15a3/1447b

The Secretary of State to the British Ambassador (Lindsay)

WASHINGTON, March 14, 1931.

MY DEAR MR. AMBASSADOR: I have given considerable thought to your communications of March 10 and 11, expressing the hope that the United States would be represented on a Drafting Committee which would settle the form and contents of the documents containing the agreement reached with France and Italy on naval questions.

As I pointed out in my letter of March 6, the question of form involves the question of the necessity of its submission to the Senate and the consequent possibilities of delay. I have discussed this problem at some length with Senator Morrow who, as you know, is thoroughly acquainted with the entire problem as the result of his participation as a Delegate in the London Naval Conference. Before reaching a decision with respect to participation in the work of the proposed committee, I have asked Senator Morrow, who is now on his way to Europe on a vacation, to stop off in London for a day or two and informally to discuss with Mr. Henderson both the tripartite understanding between Great Britain, France and Italy, on future programs up to the end of 1936, and the question of the extension of the capital ship tonnage limits fixed by the Washington Treaty for France and Italy.

I should be grateful if you would acquaint Mr. Henderson with the foregoing and advise him that Senator Morrow will be at his disposal on the 17th or 18th of this month.

Accept [etc.] HENRY L. STIMSON

500.A15a3/1427a: Telegram

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

[Paraphrase]

WASHINGTON, March 14, 1931—2 p. m.

69. The following letter has been sent by me to the British Ambassador here:

[Here follows text of the letter printed *supra*.]

Morrow desires to limit his stay in London to 2 or 3 days. I shall be glad if you will make the necessary arrangements for him to see Henderson and Malkin. It would seem desirable that as little publicity as possible be given to these conversations.

My telegram No. 61 of March 6, 7 p. m.,[94] which sets forth my views in this matter, will be available to Senator Morrow at the Embassy. However, I repeat briefly the essential points to be borne in mind:

1. There would seem to be two distinct problems involved:

(*a*) An agreement relating to the extension of the limits for capital ship tonnages fixed for France and Italy by the Washington Treaty.

(*b*) An agreement relating to building and replacement programs covering all categories of naval vessels of France and Italy up to the end of the year 1936.

2. The right of Italy and France to build 46,666 tons of new capital ships should be included in (*b*), since this right is already included in the Washington and London Naval Treaties, and, in fact, represents a considerable reduction of the 70,000 tons of new construction permitted both Italy and France under the London Naval Treaty.[95]

3. It is my opinion that point 1 (*b*) can take the form of declarations by Great Britain, France, and Italy or, if that presents insuperable difficulties, of a tripartite agreement between them, which would not involve the United States, and would thus make unnecessary the reopening in the Senate of the London Naval Treaty.

4. The only question which appears to concern this country directly is the desire of France to retain a small amount of over-age capital ship tonnage in excess of the Washington Treaty limits in order to make unnecessary the scrapping by France of a considerable amount of tonnage in excess of that required by the Treaty.

5. Any agreement relating to excess over-age tonnage, in case there is such excess, will apparently require the consent of all parties to the Washington Treaty.

[94] Not printed.

[95] See article 1, paragraph 3 of the London Treaty, *Foreign Relations*, 1930, vol. I, p. 110; and the Capital Ship Replacement tables for France and Italy in the Washington Treaty, *ibid.*, 1922, vol. I, pp. 261 and 262.

6. The form which it would take is a matter for discussion between these Powers, but whatever its form, it may well require submission to the United States Senate for its consent to ratification, and it is therefore important that its form should be such as to facilitate such submission.

7. Such an agreement relating to excess over-age tonnage for France (and, in principle, for Italy) should be limited strictly to the question of granting to France and Italy the right eventually to retain some 6,000 tons of over-age tonnage in excess of the Washington Treaty total, in case on subsequent calculation it appears that the execution of the present understanding will involve such an excess. The London Treaty is in no wise involved in this question, since this treaty does not in any manner touch upon the tonnage maxima laid down by the Washington Treaty. The agreement on this point, therefore, need make no reference to the London Treaty.

8. Senator Morrow may find it desirable to discuss the question of the form which the agreement should take with Matsudaira.

9. Senator Morrow should, of course, discuss the question of form thoroughly with the Foreign Office. I am inclined to favor an exchange of notes in preference to a protocol. This was the method adopted last summer in respect to an interpretative amendment of the London Naval Treaty made at Senator Swanson's request.[96]

In case after Morrow's arrival and conference with you and Henderson it seems adviseable, our official participation in the drafting conference can be then authorized.

STIMSON

500.A15a3/1445

Memorandum of Trans-Atlantic Telephone Conversation[97]

[WASHINGTON,] March 18, 1931.

Mr. Morrow stated that Malkin agrees that as to the London Treaty there is no necessity of any change. The Secretary said he never thought there would be. Mr. Morrow then said that Malkin is in accord with the Secretary's letter of March 6th. As to the London Treaty, whatever they do as to the auxiliary vessels will be done by declaration or by a separate memorandum or a separate tripartite agreement. He emphasized that what he was telling the Secretary refers only to the British point of view and that they cannot promise France or Italy's adherence to that point of view. A memorandum

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[96] *Foreign Relations*, 1930, vol. I, p. 126.

[97] Between the Secretary of State in Washington and Senator Morrow in London; Mr. J. Theodore Marriner, Chief of the Division of Western European Affairs, was present with the Secretary.

on the results of the negotiations with France and Italy was, Mr. Morrow added, on its way to Washington. The Secretary said he already had the basis of agreement.

The Secretary then stated his belief that we can not get away from amending the Washington Treaty. Mr. Morrow agreed and stated that there will be at least a technical change from the Washington Treaty but he does not think it is stated correctly in the basis of agreement. The Secretary did not think so either and asked what was their plan for the amendment of the Washington Treaty so far as it seems to be likely,—an exchange of notes or a formal new supplemental treaty? He (the Secretary) would prefer an exchange of notes. Mr. Morrow thought this could be done. He added that we now have word from the French Ambassador at London coming through Dawes that he had suggested that the whole trouble about battleships could be avoided by delaying the completion of the second ship until 1936. Mr. Morrow said that that was the line along which he was working.

Mr. Morrow then explained in what manner the British memorandum differs from the real meaning of the Washington Treaty. The British White Paper [98] assumes that the Washington Treaty limits the French tonnage strictly to 175,000. Mr. Morrow does not agree. He thinks the limit applies only to replacements. The French would build up to a total of eight vessels. In the meanwhile, seven vessels plus the *Jean Bart* would not be a violation of the Washington Treaty. They had a right to have built 35,000 tons when they lost the *France*. The *France* was sunk a long time ago. Instead of building 35,000, they will only build 23,000 tons. So they are doing less rebuilding than they would have a right to do as against the *France*.

No scrapping is required as a result of building the first 23,000 ton vessel. Then they are going to lay down the second vessel, a year or two later. That is where de Fleuriau's [99] idea comes in. When they finish the second vessel they should technically sink the *Jean Bart*. Instead of sinking the *Jean Bart*, which is a 22,000 ton boat, they will sink two of the *Diderot* class which makes a total of 36,000 tons. Instead of sinking one *Jean Bart*, they sink two *Diderots*. That is a substitute for what a rather clumsy treaty would have required them to do. In other words, they sink 36,000 tons of ships that they have a right under the treaty to keep alive. They are allowed to keep forever the three of the *Diderot* class if they want to under the Washington Treaty.

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[98] Great Britain, Cmd. 3812, Misc. No. 10 (1931): *Memorandum on the Results of the Negotiations With France and Italy for the Reduction and Limitation of Naval Armaments, February–March 1931.*

[99] Aimé-Joseph de Fleuriau, French Ambassador in Great Britain.

Thus, what they propose to do is to modify the Treaty in regard to the replacement schedule rather than in regard to the total tonnage. The Washington Treaty does not limit the total tonnage to 175,000, but total replacements to 175,000.

Mr. Morrow and the Secretary again discussed the desirability of effecting this amendment by an interchange of letters. The Secretary authorized Mr. Morrow to go ahead so far as he can during the time he is in London before Saturday to make clear that this view coincides with the Secretary's. He did not want to send any one there to replace Mr. Morrow, provided he got the Secretary's views perfectly clear so that the Secretary could stand up to Mr. Morrow's statements afterwards in diplomatic letters.

Mr. Morrow said that he was seeing Massigli tonight. The Secretary urged him to make our position clear and expressed the hope that the French would not upset the whole thing. There are, he added, still two or three matters in disagreement between the French and Italians. The French are looking at this Treaty as distinctly giving them a break away from parity. The Italians are looking at it as preserving parity. The French want to have an amendment which will give them a break over the Italians.

The Secretary said he knows the Japanese are parallel with us. He has talked with them enough about that and thinks Mr. Morrow has done exactly what he wanted him to do in this respect also. In answer to some remark by Senator Morrow, the Secretary then said that he agreed with him and would follow his and Dawes' advice on that matter entirely. He said he feels that he is in very good hands in having Mr. Morrow handle it. He asked when the drafting committee would begin work. Mr. Morrow replied, tomorrow morning at ten-thirty, and then read out the text of a statement the French and Italians will give out tomorrow. The Secretary said that he thought it very satisfactory; it meant that when the understanding comes to us we shall have full liberty of action; that was first rate. He concluded by asking Mr. Morrow to tell Dawes that he is very much obliged to him for the part he has played in the negotiations. Ambassador Dawes then took the receiver and the Secretary said: "Hello General. I wanted to tell you how pleased I am with the story of your negotiations which Dwight has just given me. I think it is fine and leaves it just in the right way. After Dwight has to go I shall lean heavily on you to carry on. Thank you very much."

Upon the conclusion of this telephone conversation, the Secretary told Mr. Marriner that the drafting committee would meet tomorrow at 10:30 a. m. The French and Italians are going to give out a statement in the press which Morrow read to him over the telephone and which is very good as far as he understood. It says that the three

who met at Rome are now having their experts put this matter in shape, after which it will be submitted to the United States and Japan with full liberty of action of course. The form of the amendment of the Washington Treaty is a matter not as between them and us but as between France and Italy because it is putting on paper for the first time an understanding which France is claiming definitely breaks parity in their favor and which Italy is publicly claiming definitely preserves parity in their favor.

500.A15a3/1458½

Senator Dwight W. Morrow to the Secretary of State

NAPLES, March 25, 1931.

DEAR MR. SECRETARY: I left London early Sunday morning, March 22, coming through to Naples without stopping at either Paris or Rome. We are leaving tomorrow for Palermo, where we plan to have a real holiday.

This report of the status of the Disarmament Question may be out of date when it reaches you. It will, however, give you my impressions at the time I left London.

I. THE EFFECT OF THE FRANCO-ITALIAN ACCORD ON THE WASHINGTON TREATY

On this point there is little to add to our cable of March 18th[1] and the cable drafted on Saturday, March 21st, which was probably dispatched to you on Monday, March 23d,[1] after I had left. It is quite clear that France has the right as against all signatories to the Washington Treaty to build three capital ship units of 23,333 tons each. She wants to complete one of these units and possibly two of them before Dec. 31, 1936. What shall she scrap? When she finishes the first 23,333 unit, she is not required to scrap anything. This first unit will be a replacement of the *France* already sunk. When she completes the second unit she would naturally scrap one of the *Jean Bart* class. Instead of scrapping nothing when she completes the first unit and a *Jean Bart* when she completes the second unit, France proposes to scrap one *Diderot* when she completes the first unit and another *Diderot* when she completes the second unit. She is not retaining average tonnage *in excess* of the Washington scrapping table, but she is retaining *different* average tonnage by changing the specific ships contemplated to be scrapped if she had employed her tonnage in constructing 35,000 ton units.

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[1] Not printed.

The draft of joint declaration which was handed us on March 23rd [2] was prepared to meet the Japanese position. Kuriyama,[3] who represented the Japanese, wanted to be certain to avoid any change in the treaty that would involve submitting the changes to their Privy Council. He was inclined to feel that France could build 35,000 tons by reason of the loss of the *France* and that it would not be necessary for her to scrap anything until she completed another 35,000 tons. This would mean that when she finishes the third 23,333 ton unit she would have to scrap the *Jean Bart* and the *Courbet*. But as this third unit could not be completed until after 1936, why bother about it at all now? I give you this position of Kuriyama without expressing my assent to it.

II. The Effect of the Franco-Italian Accord Upon the London Treaty

It was understood by all that the agreement covering the cruisers, destroyers and submarines should not be made a part of the London Treaty. When I left London, however, the jurists had not started upon this paper. The technical experts were still wrestling with the actual substance and the jurists committee were waiting. This will probably result in a joint declaration by France and Italy limiting themselves *inter se* in a field in which they are now unlimited. There was evident in London, however, a strong desire on the part of the French and Italians to have England participate in some way in this declaration or agreement and to have some formality and dignity attend the consummation. It was even suggested that Briand and Grandi come to London for a ceremonial signing. I think this was desired for the possible effect upon the Disarmament Conference in 1932.

III. The Disarmament Conference of 1932

There is a very real interest in the coming 1932 conference on the part of the French and also upon an important section of British opinion. I think France looks upon this accord with Italy on naval programs as of importance chiefly in connection with the general League of Nations Disarmament Conference in which she has been the most interested party for many years. Moreover, I think France is ready to make some important steps to keep Italy's goodwill. There is talk of a settlement of the French-Italy difference in Northern Africa. There is a possibility of a loan from French institutions to

[2] Not printed.
[3] Shigeru Kuriyama, Counselor of the Japanese Embassy in France.

Italy. There is even talk of a three-power Mediterranean agreement between France, Italy and Jugo-Slavia providing for amity and arbitration of differences. This might well be along the lines of Locarno.

The chances of a successful conference in 1932 will undoubtedly be increased if France and Italy enter that Conference with their differences settled. There will still be necessary however a great deal of additional preliminary work if anything substantial is to come out of the conference. If you have read Viscount Cecil's report to Henderson under date of Dec. 10, 1930,[4] you will see how many troubles may arise before a large group of nations make a reality out of the League of Nations draft by inserting some real figures therein. Serious people on this side are aware of these difficulties. The French wanted Beneš[5] of Czecho-Slovakia to be appointed Chairman of the Conference of 1932 so that he could spend a year of preparation, visiting all of the most important countries. This did not meet with favor in Great Britain because Beneš is so close to France, nor in Germany for the same reason. Henderson himself is planning to take up the preparation with some of the more important countries. You may have heard by the time this reaches you that the Germans have been invited to visit London. I was told this confidentially.

I hope you will get a chance to read carefully the Report of the Preparatory Commission set out in Cecil's report above referred to. It is a document of some 100 pages. What is to happen when England and France are face to face with their old difficulty of "security" preceding or accompanying "disarmament"? Does Henderson really represent British opinion on this point? What general theorem can apply to France and Germany? How many political questions will have to be settled between France and Germany before they are ready to begin on disarmament? What of Russia and the group of little states to the west of Russia?

I wonder whether the governments involved are leaving enough time for preparation? Henderson has great confidence. MacDonald seems to me to have doubts. Obviously the first step now is to have England and France and Italy see whether Germany is in accord with them.

Remembering our own meeting of a year ago in London, I should prefer that France, Italy, Germany and Russia (possibly) deal with Land Disarmament first and that the League plan come later. How-

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[4] Great Britain, Cmd. 3757, Misc. No. 3 (1931), League of Nations: *Despatch from Viscount Cecil of Chelwood enclosing the Report of the Preparatory Commission for the Disarmament Conference and the Draft Disarmament Convention, Geneva, December 10, 1930.*

[5] Eduard Beneš, Minister for Foreign Affairs of Czechoslovakia.

ever, Henderson and Briand and Grandi have done a good job in the French-Italian Naval Accord. They are in a better position to talk with Germany if they stand together than if they split up into camps. I think there is much more of a disposition to be generous with Germany than there was a year ago.

Sincerely yours, DWIGHT W. MORROW

500.A15a3/1469 : Telegram

The Ambassador in Italy (Garrett) to the Secretary of State

[Paraphrase]

ROME, March 28, 1931—1 p. m.
[Received March 28—12:56 p. m.]

45. This morning when he was speaking about the difficulties that have arisen over the naval agreement Grandi was more exasperated than I have ever before seen him. He has already explained to the Parliament and to the Italian people his view that an agreement was definitely reached. He considers that it is not at all within the competence of the London drafting committee to attempt to change the agreement or to bring in new matter. He even let himself go so far as to use the words "gamblers" and "perjurers", and remarked that he could not help saying that it had become evident to him that he was not dealing with gentlemen. He stated that as far as he was personally concerned he had fought against great odds for this agreement and that he felt sure he would have to resign if his Government should now again give way. That the Easter holidays might somehow or other have a good effect seemed to be his only hope.

No other mission has received the foregoing.

GARRETT

500.A15a3/1408a : Telegram

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

[Paraphrase]

WASHINGTON, March 30, 1931—5 p. m.

86. Department has thus far received incomplete information on the nature and extent of the difficulties which have supervened between the French, British and Italians with regard to the final terms of the naval arrangement. Please ascertain as promptly as possible and inform Department.

STIMSON

500.A15a3/1482 : Telegram

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

LONDON, April 1, 1931—4 p. m.
[Received 5:15 p. m.]

97. [Paraphrase.] I have obtained from Craigie, in answer to your No. 86, of March 30, 5 p. m., a statement of the difficulties which have occurred in connection with the proposed naval agreement. Text of statement (to be considered confidential) follows: [End paraphrase.]

"Part III of the London Naval Treaty establishes limits, which are not to be exceeded on the 31st December 1936, in the tonnage of the various categories. In order to attain these levels the method of determining the amount of new construction which is permissible is based upon two main principles dealing with:

1. New construction of ships to be completed by December 31, 1936;
2. Additional construction for the years 1934, 1935 and 1936, which is to be limited (under the last sentence of article 19) to vessels becoming overage in 1937, 1938 and 1939.

The negotiations with the French and Italians have throughout been based on these two principles, and indeed it had been assumed, almost up to the date of the announcement of the agreement, that both France and Italy would come into part III of the treaty on the same basis as the other powers. Possible difficulties with the United States Senate and the Japanese Privy Council rendered this course undesirable, but it was nevertheless made clear when Mr. Henderson and Mr. Alexander were in Paris that the words in the Bases of Agreement 'those provisions (of part III of the London Naval Treaty) which are of general application' must include the last sentence of article 19 of the London Treaty.

This understanding was believed to have been shared by the French Government, subject to the addition to the article which was to reproduce the effect of the last sentence of article 19 of some such phrase as 'without prejudice to the decisions of the 1935 Conference.' When, however, the French representatives reached London, it now became clear they interpreted the Bases of Agreement as regulating only construction to be completed by the year 1936 and that, failing agreement at the 1935 conference as to the additional tonnage which France and Italy might be allowed to construct during the years 1935 and 1936, those powers would have a free hand for construction in those years.

To the Italian Government, the French thesis is quite unacceptable because the principal advantage of the agreement from the Italian point of view had been stabilization of building programmes and the reduction in expenditure which they had foreseen from the spreading over 6 years of the tonnages available for new construction. These advantages would, however, in the Italian view, disappear if the programmes were not only to be compressed into 4 years but also the probability of increased building programmes in 1935 and 1936, had to be faced. The French interpretation of the Bases of Agreement was also entirely unacceptable to His Majesty's Government, firstly,

because it is in their view entirely at variance with the principles upon which the agreement has been negotiated, and secondly because admission of the French claim would mean in practice that while the members of the British Commonwealth of Nations remained bound for 6 years, France would only remain bound for 4 years, and might afterwards resume complete liberty of construction.

Up to the present efforts to overcome the difficulty have not been successful. In view, however, of the deplorable political consequences of a break-down at this stage, conversations are still continuing with a view to a solution being found."

Repeated to Morrow.

DAWES

500.A15a3/1487

Memorandum by the Chief of the Division of Western European Affairs (Marriner) of a Conversation With the Italian Ambassador (De Martino)

WASHINGTON, April 2, 1931.

The Italian Ambassador called to inform me that he had received a further telegram from Rome with respect to the difficulties which have supervened with the French at the last moment on the naval agreement.

Mr. Grandi states that up to the present time the French representative on the Drafting Committee in London has not presented any figures of replacements desired by France for the years subsequent to 1936, and that therefore it makes progress extremely difficult in any effort to find a formula. Mr. Grandi feels that since the whole purpose of the Italians in the negotiation has been to establish a holiday until 1936, any change in the agreement which would open the whole matter up for practically unlimited construction prior to the termination of the agreement of 1936 would completely destroy the value to Italy of an agreement. In fact the essential purpose of Italian policy in the matter has been to stabilize the condition of the respective fleets until that date, and Mr. Grandi felt that the bases of agreement as established between the countries had been definite on this point, ruling out all these questions until the end of 1936.

J. THEODORE MARRINER

500.A15a3/1512 : Telegram

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

[Paraphrase]

LONDON, April 20, 1931—3 p. m.
[Received April 20—11 : 40 a. m.]

115. Today the French Cabinet is being asked by Massigli for their approval of a suggestion which he desires to present to the committee

here as a basis for settlement. Part III of the London Naval Treaty binds Great Britain, the United States, and Japan to a 6-year program for subsidiary naval craft. Although the Foreign Office here is not certain, it is believed that Massigli's suggestion is to spread the building program of such vessels as between France and Italy over just a 5-year period. The British Government is not disposed to accept this proposal. The surmise here is that when France receives word of the unfavorable British response she will suggest that further negotiation be postponed until the General Disarmament Conference meets in 1932.

The foregoing is tentative, but it represents the status of the Franco-Italian naval difference as seen here.

DAWES

500.A15a3/1518 : Telegram

The Ambassador in France (Edge) to the Secretary of State

[Paraphrase]

PARIS, April 23, 1931—4 p. m.
[Received April 23—2:45 p. m.]

206. Embassy's No. 189, April 21, noon.[6] The Foreign Office has just unofficially handed me the text of the French Government's note. It is dated April 20 and addressed to the British and Italian Governments, and it outlines the new French proposal. The document consists of eight typewritten pages.

I have learned from the Foreign Office that a complete summary of the note has been telegraphed to the French Ambassador in Washington and that during the course of the day he will presumably present it to you. The complete text was sent by diplomatic pouch last Tuesday and will be handed to you when it arrives next week.[7] Owing to these circumstances and not having heard from the Department, I shall not forward the document to Washington. I shall, however, have copies made and forwarded to the Embassies at Rome, Brussels, and London as well as to the Legation at Berne.

Contrary to what Massigli had been understood to say he would do, Dulong[8] did not proceed to Rome. According to Dulong, the French Ambassador is presenting the note to the Italian Government today. It is being delivered simultaneously to the British Government.

EDGE

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[6] Not printed.
[7] For this text, see memorandum by the French Embassy, April 29, p. 400.
[8] Georges Ferdinand Charles Dulong, chief of section on League of Nations Affairs of the French Foreign Office.

500.A15a3/1523 : Telegram

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

LONDON, April 27, 1931—6 p. m.
[Received April 28—8 : 55 a. m.[9]]

123. [Paraphrase.] We received late today copies of two memoranda, one submitted by the British to the French in answer to the French memorandum which you now have, the other from the British Government to the Government of Italy. Texts follow. [End paraphrase.]

I. MEMORANDUM COMMUNICATED TO THE FRENCH AMBASSADOR ON APRIL 25TH, 1931

His Majesty's Government in the United Kingdom have given careful consideration to the memorandum of the 20th instant[10] setting forth the view of the French Government on the difference which has arisen on the naval questions and making certain proposals for the settlement of the difficulty.

(2) His Majesty's Government appreciate the clear and courteous manner in which the French point of view on this question has been set forth. They regret, however, that on a number of points their understanding of the position remains at variance with that contained in the memorandum, and, before commenting on the contents of the memorandum itself, they propose to explain as clearly and briefly as possible the point of view which has always been held by His Majesty's Government on the difference which has arisen.

(3) Part III of the London Naval Treaty establishes limits, which are not to be exceeded on the 31st December 1936, in the tonnage of the various categories. The method of determining the amount of new construction which is permissible in order that these limits should not be exceeded is based upon two main principles dealing with—

1. New construction of ships which may be completed by the 31st December 1936.
2. Additional construction for the years 1934, 1935 and 1936, which is to be limited (under the last sentence of article 19) to vessels becoming over-age in 1937, 1938 and 1939 (i. e. maximum tonnage which may be under construction on the 31st December 1936).

The effect of these two stipulations is [to] limit the amount of tonnage which a contracting party may lay down during the years 1930 to 1936 inclusive.

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[9] Telegram in four sections.
[10] Memorandum delivered by the French Government on April 23; text printed *infra*.

(4) Up to a relatively recent date the negotiations with France and Italy have been conducted on the assumption that these two powers would, if the negotiations were successful, accede to part III of the London Treaty, thus automatically limiting their new construction, during the years of the treaty, in the same way as the members of the British Commonwealth of Nations, the United States of America and Japan have already agreed to do. In the later stages of the negotiations, account had to be taken of the possibility that a separate agreement might be found a more convenient method of procedure than accession by France and Italy to part III of the treaty. It was, however, never contended in any quarter that such separate agreement should for this reason cease to be a counterpart of part III of the treaty or to embody the principle mentioned in the preceding paragraph.

(5) The Bases of Agreement accordingly provide in paragraph (C) (*a*) (2) that France and Italy should accept these provisions of part III of the treaty "which are of general application." Amongst these general provisions was mentioned specifically, in the course of the negotiations, the last sentence of article 19 which, as shown in paragraph 3 (2) above, restricts automatically the amount of additional tonnage which a contracting party may have under construction in 1936, thus definitely limiting naval construction for the period ending the 31st December 1936. Although it was recognized that the last sentence of article 19 of the London Naval Treaty could not be inserted in the proposed agreement without some drafting amendments, the limitation in question was clearly understood to have been accepted by the French negotiators, subject to the decisions of the Conference, which, under the Treaty of London, is to meet in the year 1935. So far as His Majesty's Government were aware, this French reservation in regard to the decisions of the 1935 conference was made solely with the object of insuring that that conference should not be held to be incompetent to consider the replacement of the retained over-age tonnage. Up to the time of Mr. Henderson's and Mr. Alexander's departure from Paris on the 2nd March no hint had been received from the French Government that, failing an agreement by the 1935 conference, they would consider themselves free to lay down any additional tonnage they thought fit during the years 1935 and 1936.

(6) On the contrary, at the discussion on the 1st March the French representatives proposed the paragraph (C) (*a*) (2) should be amended by the addition of the words underlined [11] so as to read as follows:

"(2) that they will accept, in so far as they are concerned, those provisions (of part III of the London Naval Treaty) which are of general application *and which do not conflict with the provision of the present arrangement*".

[11] Printed in italics.

In advancing their claims on this occasion to the above amendment it was only represented by the French negotiators, firstly, that there were certain general provisions (such as the division of combatant vessels into five categories) which were clearly not applicable to the case of France and Italy; secondly, that the last sentence of article 19 of the London Naval Treaty, if incorporated as it stood into the new agreement, might be held to prejudge the method by which the question of the replacement of retained over-age [tonnage] was ultimately to be settled by the 1935 conference, whereas the last sentence of the Bases of Agreement laid down that no precedent was being created for the final solution of this question. These points presented no difficulties to the United Kingdom negotiators and had no bearing on the issue subsequently raised by the French representatives on the drafting committee.

(7) It is, furthermore, necessary to bear in mind the following important sentence in paragraph C (*b*) of the Bases of Agreement:

"No precedent is being created for the final solution of the question whether, and if so in what manner, tonnage remaining over-age on the 31st December 1936, may ultimately be replaced".

(8) This sentence relates to over-age tonnage, the replacement of which is not provided for in the proposed agreement, and its wording, with the use of the word "ultimately", creates a clear presumption that a start was not to be made with the replacement of this over-age tonnage before the 31st December 1936. It is in this sense that the Bases of Agreement have throughout been interpreted by His Majesty's Government.

(9) Apart, however, from this presumption based on the text itself, it was always clearly understood throughout the negotiations leading up to the Bases of Agreement that the question of the replacement of retained over-age tonnage was to be left over for consideration by the 1935 conference.

(10) It was only in the discussions of the drafting committee that it became clear for the first time that the French Government were claiming that the agreement limited only the amount of construction which France and Italy may complete before December 1936, and as leaving open the question of the amount of tonnage which those countries might have under construction on that date.

(11) From the above statement it will be seen that His Majesty's Government cannot accept paragraphs 2 to 6 of the French memorandum containing a survey of the past negotiations. They reserve the right of commenting on some of the particular statements made in these paragraphs should the need arise, but they are now more concerned with the future than the past, and they accordingly desire to

proceed at once with their observations on the proposals for a settlement contained in paragraphs 14 and 15 of the French memorandum.

(12) The above proposals have been examined with the utmost desire to find some equitable solution of the difficulty, but to their great regret His Majesty's Government in the United Kingdom find themselves unable to accept these proposals for the following reasons:

1. Even on the interpretation which His Majesty's Government place upon the Bases of Agreement, the under-age figures resulting therefrom are, in some categories, considerably in excess of those to which they would have found it possible to agree during the London Naval Conference. Their acceptance of these figures in March 1931 was given solely on account of the high political importance attached to a Franco-Italian naval agreement, and on the understanding that no permanent ratio was being established.

In addition, and in order to overcome certain obstacles which had hitherto stood in the way of an understanding, the right of France to retain certain over-age tonnage during the period of the agreement was accepted. If and when this tonnage were replaced, it would be necessary considerably to increase British tonnage in the cruiser and destroyer categories; accordingly it was laid down that the question whether this over-age tonnage could be ultimately replaced was specifically reserved.

The French proposals now anticipate the laying down of replacement tonnage for these over-age ships in 1935 and 1936. His Majesty's Government could not approve an agreement the obvious effect of which would be to impose the necessity for invoking article 21 of the London Naval Treaty in order largely to increase the tonnage, built and building, which has been fixed until the 31st December 1936 by the London Naval Treaty.

2. The fact that under an agreement on the lines proposed in the French memorandum the size of the French building programs of recent years would be more than maintained in the building programs of the future constitutes a serious difficulty and might in itself necessitate the invocation of article 21 of the London Naval Treaty.

The French proposal, in fact, gives France an annual construction program of more than 41,000 tons in all categories for the years 1931–34 inclusive, and an unknown building program in the years 1935 and 1936. This is a larger program than is being carried out at the present time by any other power in the world.

3. Acceptance of the French proposals would seriously prejudice the British position at the 1935 conference, since France would have a very large tonnage actually under construction, and, failing agreement at that conference, would regain complete freedom of action in respect of new construction. His Majesty's Government, on the other hand, would remain bound until the 31st December 1936.

(13) His Majesty's Government in the United Kingdom desire to make it perfectly clear that they are ready to put into the declarations which have been under consideration by the drafting committee the text of the Bases of Agreement accepted by the powers concerned on the 1st March last. In particular, His Majesty's Government abide by

the clause which lays down that "no precedent is being created for the final solution of the question, whether, and if so in what manner, tonnage remaining over-age on the 31st December 1936, may ultimately be replaced." In arriving at that agreement they went to the utmost limit in concession, and they greatly regret that they cannot now accept a proposal which would result in France attaining a position relatively more advantageous in regard to new construction than had been contemplated by His Majesty's Government at any time.

(14) They remain, however, prepared to advocate the middle course mentioned in paragraph 10 of the French memorandum which lies between the Anglo-Italian conception of the Bases of Agreement and the interpretation which the French Government now invite them to place upon the document. For this purpose they invite the French and Italian Governments to consider carefully whether a fair solution of the present [difficulty?] could not be reached incorporating in the proposed declarations the provisions of the last sentence of article No. 19 of London, in accordance with the following formula:

"Subject to any further agreement limiting naval armaments which may be reached at the General Disarmament Conference of 1932, or at the Naval Conference which will take place in 1935 in accordance with article No. 23 of London, the additional tonnage which France and Italy may lay down before the 31st December 1936, shall be the replacement tonnage of vessels which will become over-age in 1937, 1938 and 1939."

(15) This formula makes it clear that, in the words of paragraph 10 of the French memorandum, "it would be for the conference (of 1935) to consider whether authority could not be given for the laying down of a certain tonnage from 1936 onwards". But it is the earnest hope of His Majesty's Government that the annual construction accorded France up to 1936 under the agreement as it stands, which falls short only by 5,000 tons a year [of] the annual construction contemplated by this country during the same period in respect of a much larger fleet, will be found in the end[12] to be sufficient for French needs.

(16) It is the hope of His Majesty's Government that the French Government, by accepting the compromise now proposed, may thus range themselves with the other principal naval powers in limiting their naval construction and so paving the way for the success of the General Disarmament Conference on which so many hopes are centered. If the proposal now made to the French Government may involve a retardation in the rate of naval construction originally

[12] Words "by the French Government" inserted here by agreement between the British and the French (500.A15a3/1550).

contemplated by them, this sacrifice, together with the similar sacrifice made by the other naval powers, will set a most valuable example at a time when preparations for the conference are being undertaken in every capital. They make a most earnest appeal to the Government of the Republic to consider the question in this wider political aspect and so enable the powers concerned to reach that friendly settlement for which all have striven so hard.

II MEMORANDUM COMMUNICATED TO THE ITALIAN AMBASSADOR ON APRIL 25TH, 1931

His Majesty's Government in the United Kingdom have had under their consideration the memorandum of the 20th instant in which the French Government have set forth their view on the difference which has arisen on the naval question and made certain proposals for a settlement of the difficulty. They understand that this memorandum was communicated simultaneously to the Italian Government, and they accordingly desire similarly to communicate to the Italian Government a copy of the reply which is being returned to the Government of the Republic.

(2) It will be seen from this document that His Majesty's Government in the United Kingdom, while unable to accept the proposals in the French memorandum for a settlement of the present difficulty, have put forward a proposal of their own which is designed to secure a settlement following that middle course mentioned in paragraph 10 of the French memorandum as lying between the Anglo-Italian conception of the Bases of Agreement and the interpretation which the French Government place upon the document. For this purpose they suggest that the present difficulty could best be overcome by incorporating in the proposed declarations the provisions of the last sentence of article 19 of the Treaty of London in accordance with the following formula:

"Subject to any further agreement limiting the naval armaments which may be reached at the General Disarmament Conference of 1932, or at the Naval Conference which will take place in 1935 in accordance with article 23 of the Treaty of London, the additional tonnage which France and Italy may lay down before the 31st December 1936 shall be the replacement tonnage of vessels which will become over-age in 1937, 1938 and 1939".

(3) The formula makes it clear that, in the words of paragraph 10 of the French memorandum "it would be for the Conference (of 1935) to consider whether authority could not be given for the laying down of a certain tonnage from 1936 onwards".

(4) His Majesty's Government in the United Kingdom fully realize that, in making this suggestion, they are asking the Italian

Government to depart from the attitude which they have hitherto adopted and to adopt the intermediate thesis to which reference is made above. As expected nevertheless they desire to express the earnest hope that in the interests of the settlement which all parties have so much at heart the Italian Government will see their way to make the concession which is now suggested.

DAWES

500.A15a3/1527

Memorandum by the French Embassy [13]

WASHINGTON, April 29, 1931.

[Translation [14]]

TEXT OF THE NOTE TO BE DELIVERED TO THE BRITISH AND ITALIAN GOVERNMENTS

(Note delivered by the French Government April 23.)[15]

1. During the final drafting of the agreement the "bases" of which had been adopted on March 1 last, divergencies in views have recently appeared which, if prolonged, would threaten to endanger the happy results which, after long and laborious negotiations it was justifiable to consider as attained. The Government of the Republic had not been the last to rejoice at the understanding accomplished, and, in the common interest, it expected beneficial effects therefrom; those reasons are sufficient to warrant it in considering itself at present authorized to draw the attention of the British and Italian Governments to the situation now created and which it is of importance to remedy without delay. In the conviction that the sentiments which inspire it are shared at London and Rome, it will state with all frankness the terms of the problem and the solution which it believes it calls for.

2. After the failure of the negotiations carried on subsequent to the London Conference to bring about a limitation of the total tonnage of the Italian and French fleets, the experts had bent their endeavors to seek, on a practical basis, a more limited understanding, merely concerning the building which the two countries might complete by December 31, 1936, i. e. the building which, to this end, they might undertake during the years 1931, 1932, 1933, and even 1934. Such was, in any case, the conviction, supported by various documents, which the French experts had sincerely formed during the conversations

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[13] Handed to the Secretary of State by the French Ambassador on April 30.
[14] File translation revised.
[15] The original French note was dated April 20.

initiated with their British colleagues and which they had not allowed them to overlook.

3. For this purpose, and knowing that their Governments were anxious to avoid any solution involving a considerable increase of the present tonnage of the fleets, the experts, after having studied various combinations, had finally decided upon a system based on the replacement of tonnage which had become over-age; but they had quickly recognized the impossibility of completely solving the question of the replacement of the total over-age tonnage, under penalty of encountering delicate questions which had formed an obstacle to the success of the preceding negotiations. The necessity had, therefore, been recognized on both sides of eliminating from the present negotiations the problem of the replacement of the tonnage which would remain over-age on December 31, 1936. The solution of this would be reserved for subsequent negotiations. The agreement about to be concluded was not to anticipate the issue in any way.

4. On the other hand, there was nothing to prevent the regulation immediately of the laying down of replacement units for tonnage becoming over-age in 1937, 1938, and 1939; the French experts therefore accepted without difficulty the suggestions which were made to them in this sense.

5. With this exception, the Bases of Agreement did not deal with the building to be completed subsequent to January 1, 1937. The situation which would result from their adoption could therefore in nowise be compared to that which part III of the London Treaty has created for the affected navies. In effect, part III of this treaty, so far as it affects the three fleets to which it applies and for certain classes of war vessels, fixed tonnage limits on which is based the building which these three navies will be able to undertake in the classes in question during the period covered by the treaty. On the contrary, the Franco-Italian arrangement was to deal with the building which in all classes of warships the two countries could, respectively, complete before a given date; with the exception indicated above, which only affected a very small tonnage, it did not affect the question of the building which would only be completed after December 31, 1936.

6. It was in order to make this fundamental difference clear that when the British Ministers returned from Rome on March 1, the French delegates requested of their colleagues the insertion in the Bases of Agreement, of an amendment indicating specifically that the contemplated adherence to the clauses of a general bearing inserted in part III of the Treaty of London could not aim at those of the provisions of part III which would be in contradiction to the principles recalled above, which were at the basis of the arrangement contemplated. The suggestion was accepted without difficulty; therefore,

on the French side, the objections which it was going to arouse at Rome when it was communicated to the Italian Government could not be foreseen: these were the objections which were definitely indicated during the meeting of the drafting committee and which brought out in its true scope the misunderstanding which had prevailed at the conversations carried on at the same time at Rome and Paris. Even if this misunderstanding is of a serious character, its import may at least be very exactly defined.

7. Since the meeting of the drafting committee three points of view have been in opposition.

8. On the Italian side, the Bases of Agreement have been interpreted as excluding any possibility of proceeding, before December 31, 1936, to any laying down (of vessels) other than that corresponding to the building which could be completed before that date, to which building there would be added that which is authorized by article 1 of the Treaty of London, and that which is intended for the replacement of the tonnage becoming over-age in 1937, 1938, and 1939.

9. On the French side such an interpretation is considered as running counter to the dispositions of the final paragraph of the Bases of Agreement, because it implies that a question which was meant to be reserved is in reality decided, at least for a given period. In effect it would prohibit, up to January 1, 1937, the laying down of units intended to replace tonnage remaining over-age on December 31, 1936; in other words, replacement itself could not, in any event, actually begin to take effect before January 1, 1940, inasmuch as the final paragraph expressly reserves the conditions and consequently the date of replacement. Moreover, its effect will be to bring down for 6 years the average of construction to be undertaken to a figure which closely approximates that which the French Government has always declared to be insufficient for the needs of its navy.

10. Finally, between these two extremes an intermediate position has been adopted by the British. At the latest the question must be settled at the conference which the Treaty of London provides is to take place in 1935; in the absence of an agreement at this conference the Governments would doubtless remain bound up to December 31, 1936, and no construction destined to replace tonnage remaining over-age on that date could be undertaken before January 1, 1937; but it would be for the conference possibly to authorize the laying down of certain tonnage after 1936.

11. The difference of views is clear; but it turns on a point so definite as to permit overcoming the obstacle by a common effort of good will.

12. The Government of the Republic has been aware of the objection according to which if, as it maintains, the terms of the agreement would permit France to be granted a supplementary quota of

new building prior to December 31, 1936, there would be introduced into the arrangement an element of uncertainty which would annul part of the interest which it has for the Italian Government; but on the other hand it has the firm hope that the Italian Government will not fail to recognize on its part that the interpretation upheld in its name in the drafting committee anticipates, contrary to the French thesis, the solution of a question which has been expressly reserved.

13. The problem, which is to be solved with the collaboration of the British Government, is both to eliminate this element of uncertainty and to anticipate nothing which would run counter to legitimate interests. In order that it may be solved by an equitable compromise, and convinced that its appeal will be heard, the Government of the Republic has the honor to submit to the British and Italian Governments the proposal the text of which follows:

14. "The work of drafting the agreement would be carried out by the experts on the following bases:

a) The question of the building of ships subject to limitation which may be completed before December 31, 1936, shall be settled as provided in the Bases of Agreement.

b) As regards the building of vessels subject to limitation and which are to be completed only after December 31, 1936, and if a more general settlement does not intervene as the result of the Disarmament Conference of 1932, no laying down of ships can be effected before July 1, 1935, a date at which the Conference, the meeting of which, under article 23 of the Treaty of London is contemplated for the beginning of 1935, may have made a decision.

On that same date the effects of the agreement regarding laying down of vessels will come to an end.

Nevertheless, France and Italy may lay down beginning with January 1, 1934, the replacement tonnage of the vessels which will become over age in 1937 and 1938, as well as the tonnage intended to complete the 70,000 tons of capital ships, the building of which is contemplated by article I of the Treaty of London."

15. In other words, the agreement on the building which can be *completed* before December 31, 1936, would bear at the same time on the ensemble of the building which can be *undertaken* before July 1, 1935.

16. A solution of this kind requires without doubt on the part of the three interested Governments certain concessions with regard to the thesis which they have defended up till now.

17. The Italian Government would have to permit that the provisions of the agreement should govern not all the building which can be undertaken by the two Governments up to December 31, 1936, but only the building which would be begun before July 1, 1935. On the other hand, all uncertainty on the total amount of

the building which could be undertaken during this period would be eliminated as the Italian Government requests.

18. The French Government, which held that the Bases of Agreement did not preclude the possible laying down, beginning with the middle of 1934, of the replacement building of the tonnage becoming over-age by December 31, 1936, would have to admit that it could not recover its liberty in this respect until July 1, 1935. It would, therefore, bind itself for a longer period than it had accepted.

19. As to the British Government, which has never excluded the possibility, for the Conference the meeting of which is contemplated for 1935, of deciding on other building, it is true that under the terms of the Treaty of London it remains, in any case, as regards its own building, bound up to the end of the year 1936; but it retains, during the whole life of this treaty, the right to invoke article 21. Furthermore, is the risk of possibly seeing Italy and France, both of which are joined to the British Empire by bonds of such close amity, recover their liberty some months before the British Empire recovers it herself, so serious that the British Commonwealth of Nations could not lend itself to the solution herein proposed, in view of the great advantages which would be gained by a happy conclusion of the present negotiations?

The Government of the Republic is very confident that its appeal will be heard and that the British and Italian Governments, recognizing the fact that the proposal which is made to them requires an equitable concession from each of the interested powers, will be willing to permit that negotiations, the happy outcome of which would be rich in promise for the future, should be concluded in a spirit of conciliation and mutual good will.

500.A15a3/1523 : Telegram

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

[Paraphrase]

WASHINGTON, May 1, 1931—5 p. m.

112. Reference is made to your No. 123 of April 27, 6 p. m. Can it be rightly supposed that the counterproposal which the British are making to the French is not likely to be accepted? Could you state whether the committee in London has considered the idea of rewording the March 1 Bases of Agreement so as to limit the laying down of tonnage rather than to limit completion of tonnage? Under this plan the agreement would terminate in July 1935. You may know whether such an arrangement has been considered. I would not wish you to appear to offer any such suggestion, as of course I cannot tell whether such an arrangement would be feasible.

STIMSON

500.A15a3/1531 : Telegram

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

[Paraphrase]

LONDON, May 2, 1931—2 p. m.
[Received May 2—11 : 14 a. m.]

130. Reference is made to Department's 112 of May 1, 5 p. m. Many small technical differences involved in the Franco-Italian naval negotiations have been gradually eliminated. Thus the remaining differences are reduced to such understandable terms as to invite discussion on broad [omission]. At the time the French memorandum was received I asked Craigie and Malkin, for my own understanding and not officially, whether the acceptance of the French plan was not an improvement of the present situation from the viewpoints of Great Britain, Japan, and the United States—an improvement because the proposal results in a definitive postponement of Britain's use of the escalator clause which can now be brought about at any time by French construction. I also wondered why an agreement for 4½ years was not to be preferred to no agreement at all.

I raised the same inquiry in an informal discussion with the Prime Minister at which Senator Morrow was present. Generally speaking the discussions with the Prime Minister and equally with Craigie and Malkin departed from a consideration of the merits of the question and became an exchange of views upon the internal political situations in Britain, France, and Italy which would make the acceptance of the French proposition unlikely. The situation, in my judgment, has now resolved itself into one of waiting for the old-school political atmospheres to be clarified by the events of the coming month or so. The attitudes expressed in confidential governmental circles are increasingly mild. This factor suggests that an atmosphere of compromise is already being produced by consideration of the alternatives which a final failure to solve this problem would present. It must be realized that the nation responsible for the disagreement has destroyed an opportunity for a five-power pact effective until July of 1935 among states which possess a total naval tonnage of 3,600,000 tons—this for a consideration involving 67,000 tons of construction.

A day or so ago Mr. Alexander stated informally that he and the French Minister of Marine had fully discussed the application of article 19 of the London Treaty when the Basis of Agreement was reached. This discussion covered the point now raised by France.

DAWES

500.A15a3/1532 : Telegram

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

LONDON, May 2, 1931—9 p. m.
[Received May 3—12:33 a. m.[16]]

131. After dictating Embassy's 130, May 2, 2 p. m., the Ambassador said to notify you he had arranged a conference with Alexander in order to answer definitely the questions asked in your 112, May 1, 5 p. m., and would continue this telegram when conference had been held this evening.[17]

[Paraphrase.] In an interview with Alexander this evening he stated that he had no information other than that contained in press reports as to whether the British counterproposal will be accepted by the French. With regard to your inquiry Alexander said that in London full discussion had been given on the proposal to reword the Basis of Agreement to limit until July of 1935 the laying down of tonnage rather than to limit the completion of tonnage until December of 1936. I then asked him why the Admiralty did not consider that an agreement for 4½ years was better than no agreement at all, and for a detailed statement of their position on the recent French memorandum. He was good enough to comply and wrote out a statement which was approved by Admiral Dreyer, the Deputy Chief of Naval Staff, who accompanied him. He asked me to inform you, however, that this was not an official statement, but was his personal view to be held confidential by you and me. [End paraphrase.]

"The suggestion communicated to me is not in effect a new one. It means an agreement for 4 or 4½ years for France and Italy, whilst Great Britain remains bound with her two co-signatories at London for 6 years. It means that France could lay down all her present replaceable tonnage of over 160,000 tons in 4 years and would be free in 1935 and 1936 to lay down replacements of existing over-age tonnage whilst the part III treaty powers[18] could lay down only tonnage becoming over-age after 1936 (by article 19). This, as pointed out in our reply to France, would involve the invocation of article 21 of the London Treaty. If there is no French-Italian agreement, that invocation would have to be considered now. If there were a 4½-year agreement it would still have to be faced, but Britain would be at the disadvantage of

(*a*) Entering the next five-power conference with the French construction a *fait accompli*, and therefore,

(*b*) In the event of having then to invoke article 21, would have to face too large a building programme in too short a time.

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[16] Telegram in two sections.

[17] First section of telegram unsigned.

[18] The United States, Great Britain, and Japan, who were bound by part III of the London Naval Treaty of April 22, 1930.

It would, if it is inevitable that article 21 must be operated, be much preferable to spread the incidence of such operation rather than to compress it into 1935 and 1936. Moreover, it must be recognized that it is certain Italy would regard such a 4½-years agreement as a direct breach of faith from the draft French proposals which we took to Rome from Paris."

DAWES

500.A15a3/1554

The Chargé in Great Britain (Atherton) to the Secretary of State

No. 1912 LONDON, May 5, 1931.
[Received May 13.]

SIR: I have the honor to refer to my cable No. 137 of May 5, 6 p. m.[19] on naval disarmament and to transmit herewith copies of texts handed me confidentially by the British Government being (1) memorandum from the Italian Government to the British Government making a reference to the British memorandum of April 25th, (2) memorandum from the Italian Government to the French Government making reference to its memorandum of April 20th, both dated May 1, 1931.

Respectfully yours, (For the Ambassador)
RAY ATHERTON

[Enclosure 1]

Memorandum From the Italian Government to the British Government

The Italian Government have the honour to refer to the British memorandum of the 25th April and the document enclosed therein, containing the reply of the British Government to the French memorandum of the 20th April.

In expressing their thanks for the courteous transmission of the foregoing, the Italian Government have now the honour to send herewith their own reply to the aforesaid French memorandum.

As the British Government will clearly perceive from a perusal of the latter reply, the Italian Government, in order to do the utmost in their power to maintain the agreement reached on March 1st and with the object of continuing the labours pursued jointly with the British Government for the achievement of success, are willing to accept the invitation extended to them and therefore to agree to incorporating in the "declarations" now in course of being drafted the formula proposed in paragraph 14 of the British reply.

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[19] Not printed.

The Italian Government trust that this action may prove to be a valuable contribution to the disarmament question and also to the various problems connected therewith.

ROME, 1 May, 1931.

[Enclosure 2]

Memorandum From the Italian Government to the French Government

The Italian Government have the honour to refer to the memorandum of the 20th April from the French Government on the subject of the difficulties which have arisen during the labours of the Drafting Committee engaged on the text of the Naval Agreement.

The Italian Government have always considered the text of the Bases of Agreement as a document which is final in substance even though it be susceptible of being drafted in different terms. They fully share the anxieties of the French Government at the danger of finding the results of long and laborious negotiations brought to nought, and therefore trust that the agreement of March 1st may be maintained. It is in this spirit, and animated as they are by the most friendly sentiments and the utmost goodwill, that they have examined the arguments and the proposals which have been courteously submitted to them.

In the first part of the memorandum of the 20th April the French Government set forth the reasons for which they are of opinion that the Agreement only governs the construction of tonnage to be completed before 31st December 1936.

The Italian Government cannot refrain in this connection from reaffirming that they have never thought, either during the negotiations or when signifying their assent to the Bases of Agreement, that the Agreement was confined to construction to be completed by the end of 1936.

It was after having ascertained the impossibility, at least for the moment, of reconciling the opposing theses which had been discussed at the London Conference that by July 1930 the Italian and French Governments came to the conclusion that an agreement would only be possible in the practical sphere and that it would therefore be necessary to seek a solution which, while leaving questions of principle entirely unprejudiced, should govern the construction which the two countries intended to carry out in the next six years, that is during the period 1931–1936.

In fact the discussions which took place between the French and Italian experts in Paris during August 1930 had as their objective an agreement regarding their programmes of construction for the next six years, thus taking also into consideration the tonnage which,

having been laid down prior to January 31st, 1936, would only be completed after that date.

It is clear that if each of the two countries had wished to preserve liberty to lay down during the latter years of the agreement an undetermined amount of tonnage which would have come into use in the years immediately following, the scope of the agreement would have been so limited that the object which it was desired to attain would have appeared wholly inadequate.

Since August 1930 the Italian Government consequently were justified in considering as settled that the Naval Agreement with France was to govern all construction by the two countries up to 1936 inclusive.

This conception has never been contradicted in the course of the successive negotiations undertaken in a parallel manner between French and British experts and between Italian and British experts. It was in fact confirmed when the British Minister for Foreign Affairs and the First Lord of the Admiralty, after having conferred with their French colleagues came to Rome to place before the Italian Government, the proposals which led to the acceptance of the Bases of Agreement.

The Italian Government fail to see how the text of the Bases of Agreement can give rise to uncertainties of interpretation. Indeed, they do not see how the Anglo-Franco-Italian Agreement which, according to the original intention of the three Governments concerned, was to be incorporated in the text of Part III of the Treaty of London, could have omitted to govern in a restrictive sense, in a way similar to that prescribed in Article 19 of the Treaty of London, the laying down of vessels to be completed after December 31st, 1936.

This was precisely the object of the provision inserted in paragraph C (*a*) (2) (General Provisions) of the Bases of Agreement, where it is stated that France and Italy accept, as far as they are concerned, the provisions of Part III of the Naval Treaty of London which have a general application. It appears to the Italian Government to be incontestable that the concluding part of Article 19 of the Treaty of London, which governs the laying down of tonnage to be completed after the termination of the Treaty, must be considered as a provision having a general application and therefore must be included among those which the signatories of the Bases of Agreement pledged themselves to accept.

The French Government's memorandum sets forth in paragraphs 7, 8, 9 and 10 the three different points of view, of the British, French and Italian experts respectively, which were revealed in the Drafting Committee.

The Italian Government cannot, however, share the opinion expressed in the memorandum according to which "a question which it had been agreed to reserve is in fact disposed of, at least for a given period."

The final provisions of the Bases of Agreement express two conceptions:—

(1) that the Agreement does not fix any permanent ratio for any category of vessel;

(2) that the Agreement does not create any precedent as regards the final solution of the question whether, and, if so, in what manner, the tonnage which is overage on December 31st, 1936, can ultimately be replaced.

The object of these provisions is therefore to indicate that the question of the adjustment of the maximum levels and of the ratios between the French and Italian fleets shall remain unprejudiced and that questions of principle are to be postponed. Such postponement cannot logically be conceived except for the entire duration of the Agreement, since, if this were not the case, that is, if it be admitted that before the expiration of the Agreement additional tonnage could be constructed, the Bases of the Agreement would be profoundly modified.

As has already been stated, the Italian Government accepted the Agreement essentially if not exclusively on account of the importance which they attribute to it both from the political point of view for the beneficial effects which may be hoped to accrue in the realm of Franco-Italian relations, and as a contribution which Italy and France would have made to the cause of disarmament.

The approaching General Disarmament Conference could in fact have found in the Anglo-Franco-Italian Agreement an example of reduction of armaments which would not have failed to exert a favourable influence on the outcome of that Conference.

The fresh proposals submitted by the French Government under which the right would be reserved to begin additional construction during the final years of the Agreement would, however, destroy all that the Italian Government consider to be the most valuable results of the Agreement. In fact the average annual construction which the Agreement contemplates as 27,000 tons, would be increased, in contrast to the object which the Agreement has in view of securing an effective reduction of naval armaments.

The Italian Government therefore trust that the French Government will note that, notwithstanding the utmost goodwill by which they are animated, the Italian Government find, to their regret, that they are unable to accept the proposal put forward.

In their Memorandum of the 25th instant addressed to the French Government and communicated to the Italian Government, the British Government have submitted to the Italian and French Governments a proposal of their own.

With the object of doing the utmost that lies in their power to maintain the Agreement of March 1st, the Italian Government have the honour to state that they are prepared to agree to the British suggestion, as specified in paragraph 14 of the aforesaid Memorandum, and accordingly to agree that the last part of Article 19 of the Treaty of London should be incorporated in the text of the Agreement by means of the subjoined formula, it being thus understood as regards the two navies, and in accordance with the precise words used in paragraph 10 of the French memorandum, that it would be eventually for the Conference of 1935 to consider whether authority could be given for the laying-down of a certain tonnage from 1936 onwards and that, failing agreement at that Conference, no construction for the replacement of overage tonnage existing on December 31, 1936, could be undertaken before January 1, 1937; that, accordingly, under this last hypothesis, no construction beyond the tonnage for the replacement of vessels which become overage in 1937, 1938 and 1939 can possibly be undertaken before January 1, 1937.

The text of the formula in question, as it appears in paragraph 14 of the above-mentioned Memorandum, is as follows:—

"Subject to any further agreement limiting naval armaments which may be reached at the General Disarmament Conference of 1932, or at the Naval Conference which will take place in 1935 in accordance with article 23 of the Treaty of London, the additional tonnage which France and Italy may lay down before December 31st, 1936, shall be the replacement tonnage of vessels which will become overage in 1937, 1938 and 1939."

ROME, May 1, 1931.

500.A15a3/1539

The British Chargé (Campbell) to the Secretary of State

WASHINGTON, May 7, 1931.

MY DEAR MR. SECRETARY: I venture to send you herewith an *aide-mémoire* on the subject of the difference of opinion between the Italian Government and His Majesty's Government in the United Kingdom on the one hand and the French Government on the other regarding the interpretation of the "bases of agreement" of March 1st last relative to naval construction. The *aide-mémoire* contains the considerations my Government instructed me to lay before you. It explains why His Majesty's Government and the Italian Government con-

sider their interpretation to be correct, and also—which is more important — why neither the French interpretation nor the French proposal of April 20th, (with which you are familiar) could be accepted by His Majesty's Government.

It also goes into the reasons why a four year agreement of the kind concerning which the United States Ambassador made enquiries of the First Lord of the Admiralty on May 2nd could not be accepted.

I hope you may find the *aide-mémoire* useful pending your discussions with Mr. Morrow.

Meanwhile there are one or two points arising out of the subject matter and our conversation yesterday [20] which I should much like to have an opportunity of discussing with you.

Believe me [etc.] RONALD CAMPBELL

[Enclosure]

AIDE-MÉMOIRE

The difference of opinion between the Italians and Great Britain on the one hand and the French on the other regarding the interpretation of the bases of agreement for a settlement of the problems left outstanding by the London Naval Conference relates to the date at which France may start replacement of a certain proportion of the overage tonnage which it had been agreed by all three parties should remain overage for the period of the agreement. France now maintains that the limitation that she has accepted in respect of new construction relates only to tonnage to be completed by December 31st, 1936, which means that she would be free to start the replacement of her retained overage tonnage in 1935 and 1936. His Majesty's Government and the Italians maintain on the other hand that it was clearly agreed between all parties that the last sentence of Article 19 in Part III of the Treaty of London: (which reads, i. e. "Nevertheless, replacement tonnage may be laid down for cruisers and submarines that become over age in 1937, 8 and 9, and for destroyers that become overage in 1937 and 8.") was to be incorporated in the new agreement as one of the "provisions which are of general application" mentioned in paragraph C. *a.* 2 of the bases of agreement. The effect of this understanding would be that the tonnage which France and Italy could lay down in 1935 and 1936 would be limited to tonnage in replacement of ships becoming overage in 1937, 38 and 39. The correctness of the British and Italian point of view is borne out by the last sentence of the bases of agreement: i. e. "It is understood that the present arrangement establishes no permanent ratio in any category of ship as between the members of the British Empire, France and Italy. In

[20] Memorandum of conversation not printed.

particular no precedent is being created for the final solution of the question whether and if so in what manner tonnage remaining over age on December 31st, 1936 may be ultimately replaced".

The proposal for a settlement made in the last French memorandum was in effect no advance at all on the French position explained above, since it would be still possible for France to complete in the first four years the agreed whole construction which under the British and Italian interpretation should be spread over six years, and thus be free to lay down any tonnage she pleased in 1935 and 1936 failing agreement at the 1935 conference. The fact that in their last memorandum the French Government undertook not to start laying down any of this replacement tonnage before July 1935 would not affect France's capacity to lay down a whole year's programme between July and December, 1935.

The tonnage of new construction accorded to France under the agreement is 165,304 tons made up as follows: tonnage to be completed by December 31st, 1936, 136,438 tons. Tonnage which may be laid down but not completed before December 31st, 1936 (A) capital ships:—23,333 tons. (B) Tonnage in replacement ships becoming overage in 1937 and 1938 and 1939: 5,533 tons.

According to the Anglo-Italian view the above total, amounting to 165,304 tons, is the total that France would have the right to lay down in the six years, making 27,500 tons a year. Under the last French proposal France would be able to concentrate this tonnage into four years, making 41,000 tons a year.

In the British reply to the French memorandum His Majesty's Government have suggested a formula making it clear that it would be for the conference of 1935 to consider whether France and Italy can be authorized to lay down further tonnage in the year 1936; failing agreement by the conference on that point however the laying down of new construction by France and Italy would remain limited for six years to the 165,000 tons above mentioned.

The Italian reply to the French memorandum was on May 3rd expected shortly at the Foreign Office. Meanwhile they had been informed semi-officially that the Italian Government agrees to the compromise proposal put forward by His Majesty's Government.

It will be seen that acceptance of the French proposal would have involved the construction by France during the first four years of the Treaty of 13,500 tons a year more than His Majesty's Government, who had gone to the utmost limit of concession in the bases of agreement, had agreed to thereunder, and that in addition France would have been able to lay down what she pleased in the years 1935 and 1936 while His Majesty's Government remained bound under Part III of the London Treaty. It is clear that His Majesty's Government could not have been expected to accept this proposal.

On May 2nd the United States Ambassador in London informed the First Lord of the Admiralty that he had had an enquiry from his government as to whether any suggestion had been considered in London to the effect that the bases of agreement might be re-worded so as to provide for limitation of the laying down of tonnage instead of providing for limitation of completed tonnage, the entire agreement to be made to end in July 1935.

In the above connection it must be borne in mind that the idea of limiting construction programmes purely and simply, was tried during the negotiations at Geneva last November and, as will be remembered, had to be discarded for following reasons:—

1. The Italians held that in any such plan they would have to demand an annual construction programme which would be at least as high as the French programme for fear of compromising the principle of parity. This the French would not concede.

2. The annual programme demanded by France was too high to make it worth while for Italy to enter an agreement on such a basis.

To revert to this idea now would mean abandoning that part of the bases of agreement on which all sides are agreed (namely tonnage which may be completed by December 31st, 1936) without getting us any nearer to a settlement of the difficulty concerning the amount of tonnage which may be laid down during that period.

In reply to General Dawes enquiry moreover the First Lord gave His Excellency his purely personal opinion as to the feasibility of the suggestion from a British point of view. It was as follows:—

[Here follows the text of the statement transmitted in telegram No. 131, May 2, 9 p. m., from the Ambassador in Great Britain, printed on page 406.]

The First Lord of the Admiralty added to General Dawes that an actual agreement to give France such a large construction in such a short period would greatly encourage all the smaller powers to ask for more tonnage at Geneva and that these had in certain instances already indicated that their demands would represent expansion.

WASHINGTON, 7 May, 1931.

500.A15a3/1562

Memorandum by the Assistant Chief of the Division of Western European Affairs (Boal)[21]

[WASHINGTON,] May 9, 1931.

Mr. Campbell said that he had been instructed by his Government to come in and see the Secretary again[22] regarding the present diffi-

[21] Of a conversation between the Secretary of State, the Under Secretary of State, and the British Chargé; Mr. Boal was present.

[22] Memorandum of conversation on May 6 not printed.

culties between France, Great Britain and Italy on the naval question. The British Government was anxious that the Secretary should appreciate their position in the matter and would like to feel that it met with sympathy.

The Secretary assured Mr. Campbell that we understood that the British Government had constantly been in favor of reduction of armaments and that he felt the deepest sympathy for their object and wished to be quite clear that he had the most profound interest in what was going on and the greatest desire to be of help. It was this desire and interest which motivated his inquiries. He had made some study of the question already and expected to get more light on it when Senator Morrow arrived in Washington.

What he had gotten from the French proposal and the British reply to it was that while the French still kept their hand on their 66,000 tons they eventually wished to build, they had advanced somewhat in the direction of compromise, that on the other hand the British Government's reply was not only refusing to consider the 66,000 tons now, but a refusal to admit their being laid down at all before December 31, 1936 unless in the meantime Great Britain and Italy changed their minds on the subject.

The Secretary pointed out the need for a conciliatory attitude. It seemed to him that it would be better to have three-fourths of a loaf than no loaf at all, and that the agreement with France until, say, 1935 might be better than no agreement at all, as, between now and 1935, events might change and the tendency would be toward a facilitation of the negotiations at that time. The Secretary felt that most of the trouble was due to the stiffness of Admiralties. This had certainly been the case in France, where a temporary set-back for Briand in the Customs Union development [23] had resulted in some gain in the obstructionist power of the Ministry of Marine.

Mr. Campbell intervened to say that he thought the Customs Union was probably responsible for the French change of attitude with regard to the basis of agreement.

The Secretary went on to say that after all, this naval question was merely one of a series which stood in the way of the General Disarmament Conference in 1932. If it was not solved very soon, it looked as though the 1932 conference would probably not take place. These questions were like logs in a jam, and each one had to be dislodged in turn in order to obtain progress toward disarmament. The key log which was under attack at the moment was the Franco-Italian question. The important thing was to get it moving so that general progress would no longer be stemmed. They could then reach the other questions in the way of the conference and it was to be hoped that the

[23] See pp. 565 ff.

general trend would advance so far in the direction of disarmament that there would be no temptation for France to embark on a frenzied building program several years hence.

Mr. Campbell explained that the British did not want to have to meet French building in a period of four and one-half years instead of six. They were quite willing to have the French spread their building, exclusive of the 66,000 tons, over six years, but were not at all willing that the French should compress that building into four and one-half years. In the first instance, the French would build at the average rate of 27,000 tons a year. In the second instance, they would be building at an average rate of about 41,000 tons a year.

At this moment, I intervened to point out that it seemed probable that France, which was not forbidden from laying down as much as it pleased in the early years of the agreement, would lay down at least 136,000 tons of its program and possibly a little more in the first four and one-half years anyway, since, under the British view and even under the basis of agreement, some slight hope was held out to the French that they might be allowed to lay down 66,000 tons in the last one and one-half years of the agreement. Accordingly, the French probably want to have all of their building, which was to be completed by 1936, under construction or perhaps wholly completed by the middle of 1935. Furthermore, this would be more in accordance with their Statut Naval [24] than would a stretching out of construction over all the years of the agreement. It is evident anyway that ships to be completed by the end of 1936 would, for the greater part, have to be laid down before the middle of 1935, so that the proposal of the French that they should do this would not seem at all extraordinary. So far as laying down was concerned, there did not seem to be much to choose between the French proposal and the basis of agreement if you left the laying down of the 66,000 tons out of consideration.

Mr. Campbell said that his Government had had some anxiety when General Dawes made his inquiry on this point for fear the Secretary was inclined to sympathize with the French on this subject. The Secretary pointed out that the purpose of this inquiry had merely been to discover whether this feature of the question had been considered, as that was the point on which we were not informed. He added that the British Government could be assured of our warm sympathy in their effort to solve this question, and that this Government will be very sorry to see any increase in naval construction; that nothing had been said to the French with respect to these figures and no encouragement given them on the subject of the French proposal. The French themselves, he said, to some extent probably

[24] See footnote 67, p. 462.

realized that they were being very obdurate. His whole point of view was that anything possible should be done to bring about an agreement which would remove the present obstacle to the progress of disarmament. He would like to encourage Great Britain, France and Italy toward an adjustment of their present difficulty so that we could go on with the next difficulty and preserve what gains had already been made.

Mr. Castle referred to a publication in the French newspapers of a report that the President and the Secretary of State were favorably inclined toward the French position in the naval question. Mr. Castle and the Secretary both pointed out that there was no ground for any such statement, which had been made entirely gratuitously by the newspaper in question. The Secretary, and of course the President, had never given the French grounds for any such belief.

PIERRE DE L. BOAL

500.A15a3/1571 : Telegram

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

BERNE, May 16, 1931—6 p. m.
[Received 9:45 p. m.]

57. [Paraphrase.] I was in Geneva on Friday. There disarmament questions are for the moment in the background as everyone has foremost concern with the Austro-German Customs Union and allied economic problems.

Massigli hopes that sometime before the end of the Council meeting [25] he may receive the authorization of his Government to renew the naval discussions in Geneva. However, in view of the fact that at present writing it is not known whether Briand will remain in office as Minister of Foreign Affairs, no immediate attempt can be made to resume the British-French-Italian conversations.

I have been informed by Rosso confidentially that the possibility of a compromise between the latest French and British-Italian proposals was discussed by Craigie, Massigli and himself at the final session of the drafting committee in London.

The following is a statement of the point of departure for these discussions: If the Conference of 1935 does not decide the question of replacement, and if France does not crowd into the years preceding 1935 all of the tonnage allotted to her under the March 1st agreement (but instead accepts an approximate tonnage maximum which may be laid down in any given year), then after the Conference of 1935

[25] Sixty-third session of the League of Nations Council, May 18–23, 1931.

France will be free to lay down replacement for obsolete tonnage. [End paraphrase.]

It is the present intention to debate certain disarmament items, notably the President of the Conference and the place of the Conference, in the Council session of Monday the 18th. I shall therefore return to Geneva Monday morning.

WILSON

500.A15a3/1571 : Telegram

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

[Paraphrase]

WASHINGTON, May 21, 1931—7 p. m.

140. Reference to telegram No. 57 of May 16, 6 p. m., from Berne, which is being repeated to you, and my No. 112 of May 1, 5 p. m. If you find it to be true as it is reported here that the British Government is already studying a new French proposal, please inform Department of its terms as soon as you have learned what they are. Present the following suggestions only upon subsequent instruction:

Certain progress is being made at Geneva, it would seem, toward the solution of the remaining Franco-Italian naval difficulties. You may, in your discretion, and in view of Mr. Henderson's previous request for suggestions which was transmitted in the Embassy's telegram No. 48 of February 20, 1 p. m.,[26] inform the Prime Minister (since Henderson is absent) of certain suggestions which we believe may contribute toward a solution of the present naval problems still outstanding. These ideas are to be considered as nothing more than tentative suggestions advanced in a spirit of helpfulness. No doubt certain of them are already under discussion.

1. An alteration of the March 1 Bases of Agreement so that, except for the 66,000 tons over which there is a difference, dates could be spaced for the laying down of ships.

2. Such spacing would cover the period up to the end of the year 1935 instead of the period to July 1, 1935, which the French proposal contemplates. This would tend to relieve British apprehension as to French construction being crowded into too brief a period. It would also give the conference scheduled for 1935 a longer time in which to work.

3. France would necessarily be free to lay down 66,000 tons of replacement after December 31, 1935, if the conference of that year failed to produce any satisfactory agreement. To meet this contingency Great Britain might now expressly reserve the right to use the escape clause of the London Treaty, if she deems that course necessary after the conclusion of the 1935 conference. Great Britain would have a

[26] Not printed.

considerable period before the end of the year 1935 to do such laying down as might be deemed necessary if the conference of 1935 were to assemble, for instance, as early as January of that year.

As Mr. Henderson knows, I share with him both his desire for the success of the General Disarmament Conference and his belief that Franco-Italian accord is a necessary antecedent to that success. I make the above suggestions only in view of the inquiry which Mr. Henderson has made, for I have no desire to intrude into the negotiations which have been so ably conducted by him and by Mr. Alexander. It seems to me that out of these suggestions there might be shaped a compromise plan which would limit Franco-Italian construction until at least 1935 and which would at the same time eliminate the danger to Great Britain suggested in Mr. Alexander's memorandum (your No. 131 of May 2, 9 p. m.).

STIMSON

500.A15a3/1578 : Telegram

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

[Paraphrase]

WASHINGTON, May 22, 1931—4 p. m.

141. Reference is to my No. 140 of May 21, 7 p. m., and to your No. 157, May 21, 9 p. m.[27] Please delay speaking to the Prime Minister about the suggestions contained in my telegram. I think your discussion with the Prime Minister might well be postponed until Marriner reviews the situation with you as he will at the first convenient opportunity after his arrival in Paris.

STIMSON

500.A15a3/1583 : Telegram

The Ambassador in Italy (Garrett) to the Secretary of State

[Paraphrase]

ROME, May 26, 1931—6 p. m.
[Received May 26—3:05 p. m.]

81. Grandi returned yesterday from Geneva. I have not seen him, but I have ascertained from a Foreign Office official who came back with him that it is believed that the tension between Italy and France has diminished owing to opposition on Italy's part to the Austro-German Customs Union, which came as a welcome surprise to France; also that the French attitude toward Italy is so changed that it now

[27] Latter not printed.

appears likely that after all something may come out of the Franco-Italian negotiations. Paris will receive cipher text by mail.

GARRETT

500.A15a3/1591 : Telegram

The Chargé in Great Britain (Atherton) to the Secretary of State

[Paraphrase]

LONDON, June 5, 1931—6 p. m.
[Received June 5—3:05 p. m.]

169. Reference is made to No. 141 from the Department, May 22, 4 p. m. Today I received a telephone call from Marriner in Paris suggesting that on June 11 he come to London. This question accordingly was informally raised by me with the Foreign Office, who will advise me orally next week of a convenient date for Mr. Marriner to see Mr. Henderson. The present status of the Franco-Italian negotiations will influence the deliberations of the Foreign Office on this. Such negotiations were explained to me in accordance with the following:

It was suggested to Massigli by Craigie in early May that the discussions would not be advanced by further written notes between the two Governments, and that the French should make an oral reply to the British memorandum of April 25. Rosso was also in London at that time. While these three experts were discussing the matter (see paragraph 2, my 161, May 22, 5 p. m.) [28] the following purely personal and informal suggestion for overcoming the difficulty was made by Craigie:

That France and Italy should limit construction for 5 years only instead of for 6 years (as under the Anglo-Italian understanding of Bases of Agreement), subject, however, to the overriding stipulation that France should not exceed a figure in the neighborhood of 27,500 tons or thereabouts in its annual construction. Massigli held this figure to be too low; but, like Rosso, he was interested in the proposal and promised to examine it with the clear understanding, however, that Craigie's government had not had it under consideration.

According to what I am given to understand, the British Government are entirely opposed to any further British initiative at the moment, and difficulties may be expected in securing acceptance by the British Admiralty of such a proposal even if France and Italy were previously to agree to it.

Because Briand's political future is uncertain, only methods of continuing the naval negotiations were discussed at Geneva, inasmuch as

[28] Not printed.

Massigli pointed out that his hands were tied until after the inauguration on June 13 of the French President. In his conversation with Rosso, however, it was suggested that the Franco-Italian discussions should be continued in Rome, although Massigli said that until after the formation of the new French Government he could make no "definite" arrangements. The basis of the Franco-Italian Rome discussion will be on the lines of Craigie's proposal outlined above, according to expectations here.

Marriner received a copy of this.

ATHERTON

500.A15a3/1594 : Telegram

The Chargé in Great Britain (Atherton) to the Secretary of State

[Paraphrase]

LONDON, June 11, 1931—5 p. m.
[Received 5:39 p. m.[29]]

183. From Marriner: This morning Atherton and I saw Craigie and the details of the present Franco-Italian situation were discussed. No new information was available on this subject beyond the suggestion outlined in Atherton's telegram No. 169, June 5, 6 p. m., for an agreement to last 5 years which has not been put forward by the British Government as their plan, but which Craigie feels may emerge from the discussion which it is understood will be undertaken, after the re-constitution of the French Government on June 13, directly between Massigli and Rosso. It is felt by Craigie that the British Government would not, under present circumstances, be willing even to go this far and certainly would not be willing to consider it until they knew that the united French and Italian approval had been given it. A favorable answer has been received from Italy and no answer whatever from France to the British Government's memorandum of April 25 (see Embassy's 123, April 27, 6 p. m.), on which memorandum the official position of the British Government still remains based. The statistics of the French and Italian agreement, incidentally, were gone over by me with Craigie, and we found that the three countries had been using January 1, 1931, as a date for comparison, and the tables that have been agreed upon between them as a basis for discussion are being forwarded by me.

It is Craigie's feeling that the opposition of the British, which was necessary to such a plan, was based on their fear that the use of the escape clause of the Treaty at that late date would not be understood by public opinion which envisaged the possibility of its use at present.

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[29] Telegram in two sections.

It was my feeling, I told him, that the Conference set for 1935 would be able to take care of that element, since both publicly and privately the whole matter would then have to be threshed out.

Pains were taken by Craigie to explain to me that since Mr. Henderson's entry into the disarmament negotiations last March and the choice falling upon him for the Chairmanship of the forthcoming Disarmament Conference,[30] full direction of disarmament negotiations on behalf of the British Government had been assumed by him. It was my feeling that this remark was made significantly to me by Craigie, as it preceded a change of appointment which the Foreign Minister made to receive me alone at 3 o'clock this afternoon at the House of Commons.

The conversation with Henderson began by my alluding to your desires to be absolutely *au courant* with the entire disarmament situation before your departure for Italy on the 24th, and I added that the whole subject as it then appeared had been gone over just before my departure about two weeks ago, in a conference with Morrow and Gibson.

Reiteration was made by Mr. Henderson of what Craigie had told me in the morning that the British Government still must go on the basis of its memorandum of April 25, and would await French and Italian initiative for any other suggestions; the British were aware that there was in the mind of Massigli and Rosso an informal suggestion for the agreement to be limited to 5 years on the outline of the Bases of Agreement. It was realized by Mr. Henderson that the instability of the French Government had necessitated a delay up to the present, but he hoped that shortly more progress might be made, immediately after the re-constitution of the Government on the 13th, and he said that Briand had been as optimistic at Geneva as usual and had said that the decision must soon go back to the politically responsible persons.

Mr. Henderson fully agreed with you that it was essential that some progress be made on this subject in order to facilitate the meeting of the February Disarmament Conference, and your very kind suggestion for informal conferences to take place between the different powers in preparation of the agenda was recalled by him. He was reminded by me that the press thought that the first of these conferences had already taken place with the Germans at Chequers,[31] and he said that practically no mention of disarmament was made, as the entire time was taken up by the Germans in outlining their financial diffi-

[30] On March 19, 1931, Mr. Henderson was selected by the League of Nations Council to be President of the forthcoming General Disarmament Conference.

[31] The German Chancellor, Heinrich Bruening, and the German Minister for Foreign Affairs, Julius Curtius, were in Great Britain June 5–10 and spent the week end with the British Prime Minister at Chequers; see pp. 6–8 and 11–14.

culties, which were very serious in his opinion. Mr. Henderson expects to accompany the Prime Minister on a return visit to Berlin, he said, which he hopes to arrange in about a month; he said that he would definitely go after the German angle of the disarmament question at that time, so that when you are in London he will be able to discuss this phase with you. According to him, the only element of disarmament which was touched upon by the Germans at all was their desire that any treaty which might be entered into should include them on a basis of "equality", a phase which he said he did not fully understand, as the subject had not been probed by him, but he felt that in all probability it meant that Germany desired that special disabilities not applicable to other nations should not be applied to her. He said in addition that he hoped to be able to use Germany's disarmament situation in a general conference, not as a basis of increased armament for Germany, but rather for reduction on the part of others.

According to him, there had been a great deal of talk about a possible postponement of the conference, but he said that such postponement could not be had. There would have to be considered no doubt the fact of the French elections in May, 1932, but this presumably could be taken care of by some cessation of plenary sessions or some recess. It was his idea that there be a session beginning February 2 and closing in the middle of March at the Easter holidays, after which the commissions set up during that period should continue their functions in preparation for holding, presumably in June, further plenary sessions. It was his feeling that these sessions would no doubt resolve themselves into technical committees on navy, army, and air and possibly a legal committee, and above all a "bureau" which, when I asked him, he described as being the League's method by which a steering committee is designated. He himself would expect to be able to be absent from Geneva from the Easter vacation until the plenary session in June, and he felt that this might be done by the heads of delegations, although, of course, in the interim it would be necessary to keep members of the delegation in Geneva.

Mr. Henderson, in discussing the possible attitude of the French to further moves on disarmament, said that the proposal for an Austro-German Customs Union had come at a most inopportune moment, and it was announced in a very unfortunate manner. The suggestion had readily been accepted by the French at Geneva that the matter be referred to the World Court, but British support for their point of view before the Court was apparently presupposed by them. . . .

When the conversation, which lasted about three-quarters of an hour, closed, he said how very glad he was that you were coming to Europe this summer, and that he did not expect that Parliament would rise before the early days of August, and so would look forward

to seeing you in London, when he would be most happy to arrange that all possible free time for a thorough discussion of the situation as it will stand then be given to you.

Paris received copy. [Marriner.]

ATHERTON

500.A15a3/1625 : Telegram

The Chargé in France (Marriner) to the Acting Secretary of State

[Paraphrase]

PARIS, August 22, 1931— 1 p. m.
[Received August 22—9 a. m.]

525. Massigli this morning told me that he was sending by the diplomatic pouch tonight to Rome the latest French proposal regarding the naval difficulties. It was not possible to communicate the details, he said, until Italy had studied them, but he assured me that he would pass them on to me as soon as he had received word from Rome that the proposal had been received and was being studied, presumably by next Thursday. At the same time, the details would be sent to the British Government. Massigli added that in his opinion the proposal would form an adequate basis for solution of the controversy. It had received the approval of all the necessary authorities in France.

Repeated to Rome and London.

MARRINER

500.A15a3/1631

The Chargé in France (Marriner) to the Acting Secretary of State

No. 1763 PARIS, August 27, 1931.
[Received September 5.]

SIR: I have the honor to enclose the full text in French with translation of the Memorandum which was forwarded to the Italian Government on Saturday, August 22nd, 1931. The Memorandum was handed to me in confidence by M. René Massigli on the afternoon of August 26, 1931 (see my telegram No. 540, August 26/8 p. m.).[32]

Respectfully yours, J. THEODORE MARRINER

[Enclosure—Translation [33]]

Memorandum From the French Government to the Italian Government

1. The discussions which took place from March to May of this year brought to light the serious difficulties which the application of the "Bases of Agreement" of March 1st would encounter.

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[32] Not printed.
[33] File translation revised.

2. Concerning the provisions which specifically relate to capital ships:

(*a*) The application of these provisions has proved irreconcilable with the interpretation placed by the Japanese Government upon the terms of the Washington Treaty. The final formula which that Government proposed, in the way of a compromise, in Baron Shidehara's telegram of May 8th to the drafting committee, does not in effect offer a guarantee against Japanese objections when, after commissioning a third capital ship of 23,333 tons, the French Government, in accordance with the Bases of Agreement, would scrap only one ship of the *Jean Bart* class. But in the system provided by the Bases of Agreement the scrapping plan corresponding to the building and commissioning of a certain amount of tonnage of capital ships constitutes an essential element.

(*b*) On the other hand, by modifying the requirements which result, in the case of capital ships, from the Washington Treaty, the Bases of Agreement anticipates the general solutions which will have to be considered when the formulae given in that treaty will be revised. Now, the exchange of views, in the Experts' Meeting, brought to light the fact that the solutions adopted, whether they had to do with the maximum gun caliber or whether they related to the maximum unit displacement, would clearly not meet with the approval of all the signatories of the Washington Treaty.

3. Under these circumstances—and since, furthermore, the Italian Government saw with regret the capital ship problem introduced into the Franco-Italian negotiations which followed the London Naval Conference—the conclusion must be drawn that it would be better to abandon a system which encounters so many and such varied obstacles. It would seem preferable to confine the problem to finding a solution which, while respecting previously granted rights, resulting from the Washington Treaty and from article I of the London Treaty with reference to capital ships and airplane carriers, would without jeopardizing the future permit an agreement for the next few years upon a *modus vivendi* eliminating all competition between France and Italy on construction in other classes of ships. Thus would be developed an atmosphere which would enable both countries to seek at leisure and in the most friendly spirit, a general solution of the naval problem with due account taken of their respective interests as well as those of the other powers.

4. Differentiating from the Bases of Agreement, the arrangement to be concluded would therefore affect neither capital ships nor airplane carriers, the building of which both France and Italy would be at liberty to carry on in accordance with their treaty rights.

Anyhow, nothing would prevent both countries ultimately reaching a special agreement reducing to a figure to be determined the maximum requirements of those capital ships which they would undertake to build. Such an agreement would have the advantage of opening the way to a subsequent general agreement toward the reduction of these requirements.

5. Moreover, a misunderstanding took place within the drafting committee concerning the full sense of the provision in the Bases of Agreement relating to the eventual replacement of tonnage remaining "over-age" on December 31, 1936. The French note of April 20 explained the origin and the sense of this misunderstanding. At the same time it suggested a compromise proposal which neither the British Government nor the Italian Government felt able to accept and which was met with a counterproposal. Under the system resulting from the Bases of Agreement, the latter is not acceptable to the French Navy, and there seems to be no compromise formula capable of meeting with general approval.

This is a further reason to refrain from persisting in the search for a solution within the framework of the Bases of Agreement, to which the Italian and French Governments had each adhered only after interpreting differently an essential point.

6. These considerations led us to examine if it were possible to reach an agreement limited to light surface vessels and to submarines. This search was carried on with the two-fold desire to preserve the character of this agreement as an understanding for the limitation of building, and to take into account the preferences expressed by the British and Italian Governments for a solution regulating the whole of construction that might be started in those classes before December 31, 1936.

It is clear that, in such an agreement, there can be no question of anticipating solutions which will be reached concerning the respective strength of the fleets.

7. The speech delivered before the Italian Senate by His Excellency the Italian Minister for Foreign Affairs on June 3rd furnished valuable indications. M. Grandi, in effect, emphasized the fact that an agreement, even of a temporary nature, should lead to a reduction of naval armaments and he indicated, in particular, that the annual average building program, authorized under such an agreement, could not exceed that of the previous years.

Although the laying down of ships authorized annually in France has not been inspired by a spirit of competition and has merely represented the application of a general program adopted immediately after the Washington Treaty, France showed, after the London Conference, a disposition to slow up the execution of that program.

Therefore, M. Grandi's speech could not but find a favorable response in France.

8. Since the Washington Treaty, which opened up a new era in questions of naval policy, France and Italy each independently decided upon its respective building program. This treaty constitutes, therefore, the logical criterion in evaluating the efforts which both countries have had to make in order to reconstitute their fleets. The selection of another date, anterior or posterior, would be purely arbitrary.

9. As a result of the programs agreed upon in France and Italy, respectively, from February 6, 1922, to December 31, 1930, the tonnage of light vessels subject to limitation and of submarines, the building of which was authorized in both countries, respectively, during the nine years 1922, inclusive, to 1930, inclusive, is, for France 292,587 tons, and for Italy 201,232 tons, or an annual average of 32,510 tons for France and of 22,359 tons for Italy.

10. In order to proceed with a program of limitation and reduction of armaments, it is not sufficient that this average should not be exceeded during the next few years; it is necessary to agree upon a percentage of reduction. It is, therefore, proposed that, insofar as light surface vessels of limitable classes and submarines are concerned, France and Italy accept as the annual average of construction either already authorized or to be authorized from January 1st, 1931, to December 31st, 1936, a maximum 25 percent less than the annual average of construction authorized respectively for the same classes of ships during the nine years 1922 to 1930, inclusive.

11. In the same spirit, it would naturally be specified that at the latest when the new tonnage is commissioned, an equivalent amount of "over age" tonnage would be scrapped, this amount to be deducted from the tonnage total of all said classes.

12. It goes without saying that, in order to eliminate any anxiety, particularly of Great Britain, it should be specified (*a*) that the tonnage of submarines in commission will not exceed 81,989 tons for France and 52,700 tons for Italy; (*b*) that no cruiser bearing guns of a caliber above 155 m/m will be commissioned by France and Italy before December 31, 1936.

This pledge by no means implies that France agrees to limit to seven the number of its modern cruisers bearing guns of a caliber above 155 m/m, in commission after December 31, 1936.

Briefly, France and Italy will conclude an accord on the following bases:

(*a*) The arrangement shall run for the period from the 1st of January, 1931, to December 31, 1936, subject to the conclusion in the intervening years of a more general accord for the limitation of naval armaments;

(*b*) This agreement shall only affect future construction in the classes of light vessels limited by the Treaty of London and in submarines;

(*c*) With respect to these classes, the annual average construction shall be reduced by 25 percent from the annual average construction authorized in the corresponding classes from the 6th February, 1922, to December 31, 1930;

(*d*) The tonnage of submarines in service shall not exceed 81,989 tons for France and 52,700 tons for Italy;

(*e*) No cruiser with guns exceeding 155 millimeter calibre shall be put in service by France or by Italy before the 31st December, 1936;

(*f*) On the entry of any new vessel into service in the classes under consideration, there shall be a corresponding scrapping at the date of the commissioning of the new ship at the very latest, of an equivalent amount of over-age tonnage selected from the over-age tonnage of such classes.

PARIS, August 21, 1931.

500.A15a3/1629 : Telegram

The Ambassador in Italy (Garrett) to the Acting Secretary of State

[Paraphrase]

ROME, August 31, 1931—noon.
[Received 12:06 p. m.]

159. I had a talk with Grandi with reference to Marriner's telegram to the Department of August 26, No. 540.[34] He said the French proposal was unacceptable and that he had told the French Ambassador that the proposal could not be taken seriously if France were really desirous of reaching an accord; if France wished this proposal to be taken seriously, he must conclude that she had no desire to reach an agreement. Grandi went on to say that this proposal in effect scrapped the Basis of Accord of March 1 and went back to the Treaty of Washington. He added, however, that Italy was so disposed to reach an agreement that he expected to be in a position to suggest an answer to the French proposal in a few days. In addition to a few minor changes (for example, in the French proposal for scrapping ships as they were replaced—which would be unfair to Italy since France would scrap only pre-Washington ships as against Italy's more modern ones), he would propose two amendments to the effect that the yearly tonnage allowed to be built should be based on the period starting from 1924 instead of 1922, and that France and Italy should make a reduction in auxiliary building of 75 percent instead of 25 percent annually.

Repeated to Paris, Brussels, and London.

GARRETT

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[34] Not printed.

500.A15a3/1630 : Telegram

The Ambassador in Italy (Garrett) to the Acting Secretary of State

[Paraphrase]

ROME, August 31, 1931—4 p. m.
[Received 5 : 20 p. m.]

160. With reference to my No. 159 of August 31, noon, I have received from Grandi, since my talk with him, a copy of a memorandum outlining his personal views in the matter. He takes the following position:

The new French proposals of August 21 constitute a notable step backward from the Bases of Agreement of March 1, in the opinion of the Italian Government.

The Bases of Agreement had in view an annual building program comprising all categories of naval vessels amounting to 27,500 tons for France and 26,500 for Italy; the bases of agreement sanctioned a naval holiday in the building of 8-inch gun cruisers and left the controversial question of the ultimate replacement of pre-Washington cruisers unprejudiced.

The new program submitted by France, leaving aside the construction of capital ships and aircraft carriers which are regulated by the Washington and London treaties, would permit France to lay down annually about 24,000 tons and Italy about 16,000 tons of light surface craft and submarines. The two nations would have the right, in addition, of laying down 8-inch gun cruisers, although not putting them into service.

In the event of construction of larger vessels in the same proportions envisaged by the new constructions, the result would be that the total annual new construction would reach for France 38,000 tons and for Italy 31,000 tons. France could substitute for all her old cruisers modern light craft and at the end of 1936 have a total of 256,000 tons of light craft in service plus 73,000 tons building (all of which could be in 8-inch gun cruisers) with 81,000 tons of submarines (under-age). This tonnage would not include the new construction of aircraft carriers and battleships.

These are the criticisms to be made from the point of view of general armaments reduction. Moreover, the Italian Government finds in particular that inasmuch as the result would be a notable retrogression of the position of the Italian fleet in comparison with the French fleet, the French proposal contravenes the understanding that the positions of the two Governments as to principle (that is, the question of the ratio) were to be left unprejudiced. This retrogression would be arrived at through taking the annual average of the past 9 years as a basis, including the 3 years 1922 to 1924, during

which period Italy constructed a total of only 8,000 tons for reasons of internal conditions, as against 75,000 tons of French construction. If the last 6 years are taken as a basis, on the other hand, complete parity in construction would be arrived at, namely, 197,380 for France and 197,754 tons for Italy. From every standpoint the Italian Government would prefer an agreement for a complete naval building holiday, such holiday to run even to the end of 1936, for all categories of vessels.

Repeated to Brussels, Paris, and London.

GARRETT

500.A15a3/1641 : Telegram

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

[Paraphrase]

GENEVA, September 20, 1931—5 p. m.
[Received 9:50 p. m.]

146. I have been informed by Craigie that he had a talk with Massigli in which he told the latter that the last proposal by France to Italy was utterly unacceptable to the British. In this connection Massigli indicated a strong wish that an accord might be reached in this matter before the opening of the Disarmament Conference; and he made the suggestion to Craigie that he should use the agreement of March 1 as the basis, working into it the maximum of concessions possible in the direction of meeting the interpretation placed by France on that document and then put it up to him as a proposal. Massigli said that there was no more time for bargaining about this matter, and that if such an offer were made he would consider it final. The fact that these conversations are a last attempt was emphasized by Craigie, who said that if they were unsuccessful the problem would have to go to the General Disarmament Conference in February.

A special emphasis was placed by Massigli on two difficulties which have come up, one having to do with Japan and the other with America. The first difficulty concerned a technical breach of the agreement arrived at through the Washington Treaty through the fact that the French would be obliged at the time their third cruiser of 23,000 tons was completed to scrap two vessels.

The Japanese were bothered by this because of the fact that they were afraid the question would have to be put once more before the Japanese Privy Council. The difficulty in regard to the United States was said by Massigli to be the fact that it would be extremely awkward to submit to his Parliament any plan by which construction under the Washington Treaty would be limited to 23,000 tons because it would be said that the American Government maintained the right to construct units up to 35,000 tons.

Then Craigie mentioned an idea to me which he said he had not mentioned to anybody else nor would he do so. Although he does not know whether the previous American attitude with respect to the maximum size of battleships has been modified at all, he wonders, if there has been such a modification, whether it might be possible for the Department to instruct me to inform Massigli (at the same time that the British and Italians make him their new offer) that the United States Government was willing to take up the matter of a possible reduction in the 35,000-ton maximum unit now provided for.

The present attitude of our Government in this regard is not known to me; but in my opinion should we adopt a proposition such as the above it should be done in such a manner that our position at the General Disarmament Conference would not be prejudiced needlessly. In case it should be found to be feasible to make an offer of this kind, we might safeguard our position by stating that assurances of the kind desired would be given France only if an agreement were reached by France with the Italians and British, and that should such an agreement not be reached our liberty of action at the General Disarmament Conference was fully reserved.

One week only of the Assembly presumably remains, so that the negotiators must urgently attack this problem. In consequence, it is requested that I be advised as soon as possible in the matter.

WILSON

500.A15a3/1641 : Telegram

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

[Paraphrase]

WASHINGTON, September 22, 1931—2 p. m.

120. With reference to your 146 of September 20, 5 p. m., we have had no evidence that the question of the unit size of capital ships has been a decisive factor in hindering agreement between France and Italy. This question has not been emphasized in the subsequent misunderstanding on the Bases of Agreement. Even if safeguarded as you propose, we feel that a declaration to the effect that we are considering the reduction of capital ship size would merely give away our hand before the Conference meets without any advantage to us and a benefit for Great Britain and France in case they desired to hold out against other restrictions.

The following is for your personal information: There has been no modification of our attitude concerning the maintenance of the present capital ship size. Of course all angles of the problem are being carefully studied, but even should we eventually decide that we might accept a lower unit size, much education in the Navy and among

the public would still have to be done. We would be considerably embarrassed by any leak of a possible change in our position from foreign admiralty sources. We are, on the whole, inclined to regard Craigie's suggestion as a device designed to force us to show our hand before the Conference next year.

STIMSON

500.A15a3/1652

The Chargé in Italy (Kirk) to the Secretary of State

No. 1080 ROME, October 9, 1931.
[Received October 21.]

SIR: With reference to my telegram No. 198 of October 9, 11 a. m.[35] regarding the Franco-Italian negotiations for a Naval Accord, I have the honor to transmit herewith a copy and translation of the Italian memorandum submitted by Signor Rosso to M. Massigli on September 26, 1931, which is referred to therein.

Respectfully yours, ALEXANDER KIRK

[Enclosure—Translation[36]]

Memorandum From the Italian Government to the French Government

(1) In his letter of August 21, 1931, M. Massigli communicated to M. Rosso a memorandum giving the general lines for a provisional agreement which the French Government would be disposed to consider for the settlement of the naval question between France and Italy.

After setting forth the reasons which led the French Government to submit a proposal radically deviating from the Bases of Agreement of March 1, 1931, the memorandum suggests that the building programs which have been voted respectively in France and in Italy between the signing of the Washington Treaty and 1930 be taken as the basis for establishing the building programs for the 6 following years. According to the figures indicated in the memorandum, the average annual construction for France would be 32,510 tons, and for Italy 22,359 tons. The memorandum proposes that for the period January 1, 1931, to December 31, 1936, the annual average of construction of light surface craft and submarines be set in the proportion resulting from a 25 percent reduction of the above-mentioned figures. On the other hand, the agreement would not affect the construction of battleships and airplane carriers, which would continue to be governed exclusively by the provisions of the Washington Treaty and by article I of the London Treaty.

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[35] Not printed.
[36] File translation revised.

Furthermore: (1) the tonnage of submarines in service would not exceed 81,989 tons for France and 52,700 tons for Italy; (2) no cruiser with guns exceeding 155 mm. in calibre would be put into service by France or by Italy prior to December 31, 1936.

(2) With regard to the proposals contained in the French Memorandum of August 21, it should be pointed out in the first place that after all the work and all the efforts which have been put forth to reach the agreement in principle consecrated in the Bases of Agreement of March 1, the Italian Government could not regard with favor, nor without a certain scepticism, the opening of new negotiations deviating in so marked a fashion from the above-mentioned bases.

Nevertheless, in the same conciliatory spirit in which the Italian negotiators have unfailingly approached the study of the naval question, the Italian Government did not neglect a careful examination of the new French proposals, and it arrived at the following conclusions, showing the very serious difficulties which oppose the application of these proposals on the part of Italy;

(*a*) According to the Bases of Agreement France and Italy were authorized to construct, during the 6 years of the agreement, an annual tonnage which was approximately equal (this in the case that the 12 French torpedo boats of the *Algériens* type should be considered as exempt, in conformity with article 8 (*a*) of the Treaty of London and the displacements indicated in Document L. N. C. 6 of the London Conference). If, on the contrary, it should be admitted that the question of the *Algériens* might be construed in conformity to the French viewpoint, France would have been authorized to build during the course of the 6 years 6,800 tons more than Italy.

According to the new proposals, this difference of 6,800 tons would be changed into a difference of 45,680 tons, which would mean that the comparative strengths of the French and the Italian navies would be radically altered in favor of France. This result would be in open contradiction to the principle which had been established by common accord prior to undertaking the negotiations which led to the Bases of Agreement of March 1, since it was understood that the agreement to be concluded was not to affect questions of principle nor to modify the comparative situations of the naval forces of the two countries. While the Bases of Agreement of March 1, through the interplay of reciprocal concessions, on the whole respected these two conditions, the project contained in the French memorandum would imply a disavowal of the above-mentioned principle, marking at the same time a very considerable advantage in favor of France.

It is true that according to the French interpretation of the Bases of Agreement the superiority of 6,800 tons would have been applicable only to the first 4 years of the agreement. But even if this period

of time alone is considered, the difference in construction envisaged by the new French proposals would reach the still very outstanding figure of 30,450 tons. Thus, while on March 1 the French Government declared itself satisfied with an agreement giving it a superiority in construction of 6,800 tons during the first 4 years, in its new proposals it asks of the Italian Government an agreement giving France, during the same period of time, a superiority in construction approximately four and a half times greater.

(*b*) The figure of 10,151 tons which the French memorandum gives as the difference between the annual averages of French and Italian constructions during the last few years was obtained by including in the basis for calculation the years 1922–1924 during which time Italy, who was going through a period of political crisis and economic reorganization, had laid down only 8,563 tons as against 75,225 tons laid down during the same period by France. If the starting point for the calculation of the constructions of the last few years was really such as to show—according to the words of the French memorandum—"the efforts which the two countries have considered necessary to put forth in view of the reconstruction of their navies", it would seem much more equitable to calculate the average of constructions upon the basis of the last 6 years.

(*c*) According to the Italian interpretation of the Bases of Agreement, the annual average tonnage of all categories which France could lay down was 26,350 tons (not including the *Algériens*) or 27,550 tons (including the *Algériens*). According to the new proposals the annual average of French constructions would be 24,383 tons for light surface craft and submarines alone. In view of the fact that according to the Washington and London Treaties France is authorized to construct during the next 6 years an annual average of 17,975 tons of battleships and airplane carriers, the total of French constructions in all categories would amount to about 42,358 tons annually, or more than the tonnage envisaged by the proposals which had been made by France last April and which Italy was not in a position to accept.

Thus the French plan, although at first glance apparently contemplating a 25 percent reduction in the construction of the last 9 years, in reality involves a potential increase of about 30 percent in this same construction. In the category of light surface craft alone there would be an increase of about 85,000 tons in French constructions during the period 1931–1936, in comparison with the constructions envisaged by the Bases of Agreement as interpreted by Italy.

(3) In paragraph 2 of the French memorandum mention is made of two specific difficulties in putting into execution the provisions of the Bases of Agreement concerning battleships. The Italian Government recognizes these difficulties, but it does not consider them insurmountable.

The French memorandum is entirely correct when it observes that the Italian Government regretted that the problem of battleships should be connected with that of the limitation of tonnage which is not governed by the Washington and London Treaties. During the course of the negotiations which led to the Bases of Agreement of March 1 it had, however, been led to accept the provisions concerning battleships because they appeared to be a necessary condition to an understanding among the three powers directly interested in the agreement. Having at that time renounced, in a spirit of conciliation, the attempt to have its viewpoint accepted, the Italian Government prefers not to revert to this question now and not to run the risk of destroying an agreement which, taken as a whole, represents a fair compromise resulting from reciprocal concessions made by the three interested powers.

(4) For all the foregoing reasons and as a result of consultations which it has had occasion to exchange with the British Government, the Italian Government is of the opinion that it would be deeply regrettable to abandon the Bases of Agreement of March 1, thanks to which the very divergent viewpoints of the three Governments upon a particularly complex problem could have been to a great extent reconciled. It is, on the other hand, persuaded that the best chance for further progress lies, not in the abandonment of the results already attained with such great difficulty, but rather in the effort which can still be made to eliminate the remaining difficulties in the way of a complete agreement.

If the French Government and the British Government should see the utility of resuming the negotiations broken off at London at the end of last April, in order to seek a means of reconciling the Bases of Agreement of March 1 with the difficulties which have arisen since that date, the Italian Government, ever desirous of arriving at a complete understanding with the other two powers on the settlement of the naval question in harmony with the London Treaty, declares that it is ready for its part to lend to this last effort of conciliation its most cordial and solicitous collaboration.

500.A15a3/1651 : Telegram

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

GENEVA, October 20, 1931—5 p. m.
[Received 5:20 p. m.]

231. Embassy Rome 198, October 9 to Department.[37] Before he left Paris Marriner asked me to inquire of Rosso respecting Rosso's statement that Rome had received no report from Paris to the memorandum referred to in the telegram.

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[37] Not printed; see despatch No. 1080, October 9, from the Chargé in Italy, p. 432.

I made this inquiry of Massigli who stated that some misunderstanding was apparent, that the Italian memorandum was on the "negative" side and that the French had been promised a memorandum on the "positive" side which they were awaiting before sending an answer to the Italians. I conveyed this information to Marriner.

Massigli and Rosso are both here. It is apparent that Massigli spoke to Rosso about this for Rosso called on me today and handed me the following memorandum which he asked me to transmit to the Department:

The memorandum containing a new French proposition for a naval agreement was received in Rome about the end of August. Consultations took place between Rome and London on the subject and the Italians were informed that the British Government did not see their way to accepting an agreement unless the solution was found within the frame of the Basis of Agreement of March 1st.

About the middle of September Craigie came to Geneva to discuss the matter with Rosso. They tried to find out a solution which could give a certain amount of satisfaction to the French, while the general lines of the Basis of Agreement should be maintained.

They finally agreed to submit and to recommend to their respective Governments for approval a proposal to the effect that the Basis of Agreement should apply to a period of 5 years instead of 6 years, which was thought to represent a fair compromise between the Anglo-Italian and the French points of view.

At the same time it was agreed that the Italians would answer to the French memorandum explaining that the new French proposal was unacceptable, but adding that the Italian Government were ready to continue the negotiation on the basis of agreement reached on March 1st last with a view to finding a compromise.

An Italian memorandum to that effect was handed to Massigli about the end of September.

In the first days of October the Ministry of Foreign Affairs in Rome was asked by the British Embassy to let them know whether the Italian Government was in a position to agree with the suggestion made by Craigie and Rosso, following their talk in Geneva. The Italians were told that the Foreign Office in London wanted to be sure that Lord Reading [88]—who was on his way to Paris—could talk the matter over with the French. The Italian answer was that, should the new proposal be accepted by France, Italy would also agree.

It seems that when in Paris Lord Reading only mentioned the thing in a general way but that he did not press it, maybe because he felt that Mr. Laval was not ready to look into it in a favorable way.

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[88] British Secretary of State for Foreign Affairs, August 25–October 5, 1931.

Not being possessed of the background of this question I can not well undertake to discuss such matters here. If however the Department has any specific questions which they would like to have me address to Massigli, Rosso or the British on this subject I will be pleased to solicit written replies and to transmit them by telegraph if desired.

GILBERT

500.A15a3/1660 : Telegram

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

[Paraphrase]

LONDON, November 12, 1931—4 p. m.
[Received November 12—1:07 p. m.]

435. Craigie informs me by informal letter that Massigli in Paris today received the proposals to which reference was made in my telegram 414, October 13, 3 p. m.[39] He outlined orally how far the French point of view was met by these proposals in that the program rather than being spread over 6 years, which was according to the British interpretation of the Bases of Agreement, now refers to a 5-year period. Three thousand tons of construction by France and Italy respectively, which is not permitted before 1936 by the London Naval Treaty, is excluded from this 5-year building program.

Brussels is receiving cipher text.

DAWES

500.A15a3/1665

Mr. Augusto Rosso to Mr. J. Theodore Marriner

WASHINGTON, November 18, 1931.

MY DEAR MARRINER: With reference to the conversation I had with you this morning I enclose herewith copy of the Revised Draft of October 16th, as promised you.

With kind regards [etc.] Rosso

[Enclosure]

REVISED DRAFT OF OCTOBER 16TH [40]

Suggested Compromise for Bridging Gap left by Divergent Interpretations of the Bases of Agreement of March 1st, 1931

1. The Bases of Agreement of March 1st, 1931, shall be interpreted in accordance with the provisions of paragraphs 2–4 below. Subject to this, the said Bases of Agreement shall remain unaltered.

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[39] Not printed.

[40] Drawn up jointly by Craigie and Rosso; communicated to the French Government in a letter dated November 11 from Craigie to Massigli.

2. Within the period between 1st January, 1931, and 31st December 1935, France and Italy may lay down tonnage which may be completed before 31st December 1936 and also tonnage which may be completed after that date, provided that the total tonnage laid down in all the categories of ships mentioned in the Bases of Agreement does not exceed within that period of five years the average figure of 32,282 tons in the case of France and of 31,016 tons in the case of Italy. Of this total of 161,409 tons for France, not more than 57,409 tons shall consist of vessels in the light surface craft and submarine categories. Of the total of 155,080 tons for Italy, not more than 51,080 tons shall consist of vessels in the light surface craft and submarine categories.

3. After December 31st, 1935, France and Italy will have full liberty to lay down tonnage in the categories of ships not limited by the Treaty of Washington, except to the extent to which limitations may result from the decisions of the Naval Conference which is to meet in 1935 or of any other earlier conference.

4. Irrespective of the provisions of paragraphs 2 and 3 above, France and Italy retain their right to carry out their 1930 naval programme.

5. It is understood that nothing in the preceding paragraphs prejudices the right of the Members of the British Commonwealth of Nations to have recourse, if necessary, during 1936 to the increases mentioned in Article 21 of the London Naval Treaty.

500.A15a3/1667a : Telegram

The Secretary of State to the Ambassador in France (Edge)

[Paraphrase]

WASHINGTON, December 3, 1931—5 p. m.

619. For Dawes.[42] When the Manchurian case is concluded and you see Briand to say goodbye I hope you can find an occasion to say, with respect to the settlement of the naval question, that I feel that it would be extremely desirable for France to examine very sympathetically the Italian memorandum handed the French Foreign Office on November 12. It seems most desirable that an accord on this naval question be reached prior to the convening of the Disarmament Conference. In my opinion, the change from 6 to 5 years meets the French objections to the Bases of Agreement. An agreement on this naval question will enable Italy to enter the Disarmament Conference with no outstanding differences with France. Such an agreement would likewise serve as an antidote to the present gloomy predictions aris-

[42] General Dawes had been sent to Paris to advise with the League Council regarding the Manchurian affair. For correspondence concerning the occupation of Manchuria by Japan, see vol. III, pp. 1 ff.

ing out of the difficulties of the Manchurian case and the French reaction to the recent disarmament meeting in Paris.

I think the same considerations should be set before Laval if the opportunity presents itself. Express to him my hope that he will give attention to the beneficent results that an accord on this matter would have just now.

STIMSON

500.A15a3/1670 : Telegram

The Ambassador in France (Edge) to the Secretary of State

[Paraphrase]

PARIS, December 17, 1931—3 p. m.
[Received December 17—11:47 a. m.]

896. This Embassy's 836 of December 3, noon.[43] No reply has been made to the Italian Government's proposals, it is understood here; but the Chief of the Intelligence Office of the General Staff of the Ministry of Marine, Captain Fernet, has informed the Naval Attaché of this Embassy that it is the opinion of the Ministry of Marine that the proposals are completely unacceptable to the French Government. Information repeated to Rome, Brussels, and London.

EDGE

500.A15a3/1676 : Telegram

The Chargé in Great Britain (Atherton) to the Secretary of State

[Paraphrase]

LONDON, January 19, 1932—6 p. m.
[Received January 19—3:08 p. m.]

18. I have been informed that within the last day or two, some 2 months after the proposal set forth in my telegram No. 435 of November 12, 4 p. m., was delivered, the French reply was received. This reply is not a rejection, but rather is a request for additional explanation in certain particulars, namely:

(1) The capital ship difficulty, i. e., questions of maximum calibre of guns and maximum displacement.
(2) Retention by France of over-age capital ships after completion of two new capital ships.
(3) The right of Great Britain to invoke article 21 in the year 1936 if considered necessary.

No endeavor will be made by the British to reply to the French note before the Disarmament Conference, Craigie states.

ATHERTON

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[43] Not printed.

THE ARMAMENTS TRUCE OF NOVEMBER 1, 1931

500.A15 Arms Truce/1 : Telegram

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

GENEVA, September 8, 1931—9 p. m.
[Received 9 p. m.]

119. Grandi [44] made an important speech in Assembly today [45] of which one section in translation follows and to which I invite your immediate attention.

"In any case I ask myself whether during the preparatory period for the Disarmament Conference [46] those states which have definitely promised to participate could not adopt provisional measures. The Council of the League of Nations as you know has suggested to us to establish preliminary contacts. In the spirit of this recommendation we could do a truly useful task if we adopted measures of a practical and immediate character. My idea is that we might reach from this very moment a real and effective truce in armaments prescribed at least for the period of the Conference work, and I believe that I should call your most serious attention to this suggestion.

A general and immediate accord among all the states with a view to agreeing upon a halt in the execution of their programs for new armament not only would give to our peoples a first example of good will but would create about the Conference a calmer and more confident psychological and political atmosphere which more than all declarations of principle would contribute to bringing our labors to a successful conclusion".

[Paraphrase.] Members of the Italian delegation tell me that Grandi is not entirely clear in his own mind as yet as to the precise form which the proposed truce might take. The delegation informs me that Grandi will wait and see whether the idea suggested above causes favorable comment during the Assembly and if a fair number of declarations are made in support of the general idea he will prepare and introduce a formal resolution.

I have learned from other sources that the speech has met with a high degree of interest and that some states, particularly the Scandinavian, are supporting the idea.

I should be grateful for any guidance you might be able to give me in expressing opinions about this matter. [End paraphrase.]

WILSON

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[44] Dino Grandi, Italian Minister for Foreign Affairs and head of the Italian delegation to the Twelfth Assembly of the League of Nations.

[45] Full text in League of Nations, *Official Journal*, Special Supplement No. 93: *Records of the Twelfth Ordinary Session of the Assembly, Plenary Meetings*, p. 38.

[46] See pp. 471 ff.

033.1140 Stimson H.L./173

Memorandum by the Chief of the Division of Current Information (McDermott) of the Press Conference of the Secretary of State, September 9, 1931

[Extract]

A correspondent asked if the Secretary had any remarks to make concerning Foreign Minister Grandi's proposal for an arms holiday until after the general disarmament conference in Geneva. For background only, the Secretary said he did not care to comment on it as he thought a published statement from him would not do any good at the present moment. It is a matter for the League of Nations and not one for the consideration of this government. Of course, we view any proposals of that sort with sympathy, we are friendly to any move in that direction and we shall look forward to any further details. We have not received any details of Signor Grandi's proposition and the Secretary said the only thing he would ask the press to do in treating the question was not to give any intimation that we have any hesitancy or view the movement with coldness. A correspondent said there was some rather lukewarm treatment of the subject in the press this morning. Mr. Stimson, in reply, said the press was entirely wrong and that the opinions expressed did not represent the attitude of this government. Asked if Signor Grandi's proposal concerned only naval construction the Secretary said that the reports which had been received by him were not clear and that he was not in a position to speak concerning the possibility of a land question as well as a naval question, as he had not studied it at all broadly. The Secretary said, however, that he should approach it with the same hope that some holiday or moratorium of that sort could be devised. Mr. Stimson said that, as he understood it, the purpose of Signor Grandi's proposal is that we should approach the great disarmament conference with the spirit of some such arms holiday, as it would greatly increase the prospects of a successful conference. A correspondent here said that the Three-Power agreement[47] stopped naval competition. In reply, the Secretary said he was strongly in sympathy with that purpose. A correspondent then asked if he could go so far as to suggest the possibility of our doing something to forward such a proposal. In reply, Mr. Stimson said he could not, until we do it, as he did not like forecasts and as we are in no position yet to know what the suggestion is. On the general proposition, however, the Secretary said the correspondent could give the idea that we are thoroughly friendly to it.

M. J. McDermott

[47] Treaty for the Limitation and Reduction of Naval Armament, signed at London, April 22, 1930, *Foreign Relations*, 1930, vol. I, p. 107.

500.A15 Arms Truce/4 : Telegram

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

GENEVA, September 10, 1931—8 p. m.
[Received September 10—7 : 59 p. m.]

120. Cecil [48] delivered important speech in Assembly today principally dealing with disarmament.[49] Points of particular interest follow:

1. He lent his Government's wholehearted support to Grandi's idea for arms truce during the period of arms conference and expressed the hope that a resolution would be introduced which would bring this before the Third Committee. He assumed that the proposal or suggestion would cover land, sea, and air rearmaments.

2. He stated "and I like to emphasize the fact—because after all that fact is in itself a great [step] forward—that by the unanimous consent of the world that Conference is to meet on the second February of next year [50] and that no Government, least of all my own, would tolerate for a moment any proposal for its postponement".

3. He stated "there are at present in this Assembly the representatives of two great highly respected nations, each in their way leaders of the world's civilization. If there could be a real *rapprochement* between France and Germany not only in words but in actions that would remove I believe seventy-five per cent of the political unrest of the world".

WILSON

500.A15a4/369 : Telegram

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

[Paraphrase]

WASHINGTON, September 11, 1931—10 a. m.

103. Would you see Grandi and give him an oral message confidentially as follows: Tell him that I was delighted at his preliminary suggestion to the powers meeting in the League Assembly for an armaments truce, that I am fully in sympathy with his purpose, as he will recall, and that I shall be most interested in the details which may be worked out. State also that I have made this point of view known to press representatives here in Washington for use by way of background, but that I have refrained from any public statement out of a desire to cause no embarrassment whatsoever to him or to the others who are deliberating at Geneva. Finally you may inform

[48] Viscount Cecil of Chelwood, head of the British delegation.
[49] Text in League of Nations, *Official Journal*, Special Supp. No. 93, p. 57.
[50] The General Disarmament Conference of 1932.

Signor Grandi of the remark I made today to several diplomatic representatives who called on me. I told them that at the opening of the Disarmament Conference next year the minds of the delegates ought not to be distracted or their ears deafened by the hammering of new armaments construction.

Repeat this to Kirk [51] for his information. If Grandi has already left Geneva, Kirk may take the required action.

STIMSON

500.A15 Arms Truce/9 : Telegram

The Ambassador in France (Edge) to the Secretary of State

PARIS, September 11, 1931—5 p. m.
[Received September 11—2:21 p. m.[52]]

575. Grandi's plea for an arms truce is received here with frank misgiving and open animosity. On the hypothesis that it is American inspired, British and German backed and aimed squarely at France, most observers conclude that potential dangers of the holiday vastly outweigh its questionable value.

Believing that the Grandi proposal is an attempt to undermine the French theory of security before disarmament and is part of a general plan to isolate or encircle France in advance of the General Disarmament Conference, French commentators reject the suggested arms truce on the grounds: (1) that to implement it will require the convocation of an international arms conference—5 months before the appointed date; (2) that a truce in land armaments is superfluous so far as France is concerned since it has reduced and is still reducing its military establishment below the pre-war level; (3) that if it is intended to apply to army reorganization of the French Army it is unacceptable since the reorganization of the French Army begun 2 years ago is still incomplete and in any event is merely the perfecting of an existing instrument, not the creation of new military strength; (4) that under no circumstances will France consent to suspend the preparation and concentration of war stocks, and, (5) that France cannot admit the work on the frontier fortifications to international discussion.

With regard to naval armaments, most observers concur with Admiral Docteur of the *Matin* who asserted that the Grandi initiative signalized the breakdown of the Franco-Italian naval conversations.[53] It is, he said, incompatible with the proposal for a naval *modus vivendi* to compel a Franco-Italian accord outlined in the French armaments

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[51] Alexander Kirk, Chargé d'Affaires in Italy.
[52] Telegram in two sections.
[53] For correspondence concerning the Franco-Italian naval problem, see pp. 358 ff.

memorandum to the League of Nations. To accept a holiday without further negotiation on the basis of the present relative naval strength of France and Italy would amount for France to "an abdication confirming Italy's naval superiority in the Mediterranean", Docteur declared and referred as proof of his point to Italy's heavy construction in cruisers over the last 3 years and to its reserve fleet of ships building for at least one smaller powers [*sic*]. Italy has a fleet of new modern ships while France is carrying a heavy burden of over age vessels. France must receive satisfaction on this point before a truce is negotiated and, furthermore, it must be made clear whether the truce is to apply to ships already laid down as well as to new construction.

Further discussion, all critical, deals with Great Britain's acceptance of the "American" theory of the interdependence of international finance and disarmament especially with Grandi's support [of?] what is also termed an American theory that disarmament must be the prelude to, not the consequence of, internal indebtedness reduction and the organization of security. The consensus in the words of Pertinax is that "Signor Grandi is fully aware that France cannot accept this proposal: it is obviously nothing more than a trial balloon released to win the favor of the British and American publics; in fact it might be that Signor Grandi borrowed his idea from Mr. Stimson".

EDGE

500.A15a4/372 : Telegram

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

GENEVA, September 11, 1931—11 p. m.
[Received September 11—10: 09 p. m.]

124. My 121, September 10, 9 p. m.[54] Danish delegation has introduced a resolution of which the positive part reads as follows:

"The Assembly begs the Council to bring its influence to bear on the Governments attending the said Conference in order that they may give proof of their firm desire to bring about a successful conclusion of the efforts to insure peace and to reestablish mutual confidence by abstaining, pending the final result of the Conference, from any measure having as its object an increase of the actual present level of their armaments and from causing thereby an increase in their budgets."

The Italian delegation is not satisfied with this form and desires in this connection direct reference of this matter to the Third Committee for discussion.

WILSON

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[54] Not printed.

500.A15 Arms Truce/11 : Telegram

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

[Paraphrase]

GENEVA, September 16, 1931—5 p. m.
[Received 5:28 p. m.]

132. I was informed today in strict confidence by Grandi that his truce would probably come up for debate in the Third Committee on September 18, when he plans to offer an amendment to the Scandinavian resolution (see my 124, September 11, 11 p. m.) because he feels under certain obligations to offer a suggestion in a more definite form, having originated the idea. He has not received as enthusiastic backing as he hoped, and it is probable that Japan will object to a curtailment of increase in army stocks and France to a curtailment of her naval program. He has not given up hope, however, and will make his proposal with some expectation that it will be possible to work out something.

Prolonged discussion would be involved in negotiating a treaty, thereby ruining the aim of the truce. Grandi therefore outlined a simple formula along the following lines:

The various states will declare their intention of not increasing their armaments for a 1-year period. In order to make this effective they will declare that it is their intention:

(1) Not to lay down any new keels for vessels.
(2) Not to increase their budgetary appropriations or expenditures for land armaments.
(3) Not to build, other than for replacement, any material for aviation.

Grandi pointed out that he had put the second point in a succinct form in the hope that Japan would find it possible to accept this form rather than a promise under which her army stocks could not be increased. He explained, as to point 3, that the waste and wear on aircraft is so severe that it seemed essential to admit replacement.

Grandi thereupon expressed his fear that certain states which have no wish to give such an undertaking might take shelter behind a declaration to the effect that the absence of the United States, Russia, and Turkey from the discussion would make it impossible to conclude such a truce. He therefore is contemplating the formulation of a declaration by which such an objection could be met. He said he might perhaps suggest that the Third Committee ask Drummond [55] to get in touch with the states not represented with a view to obtaining their views on his proposal or to suggest that they be pres-

[55] Sir Eric Drummond, Secretary-General of the League of Nations.

ent for this purpose, to which I replied that I would submit this matter to you urgently for such advice as you might wish to supply.

I should very much appreciate, if you deem it advisable, being put in a position to express an opinion both as to the form of the proposal which Grandi contemplates submitting and on the question of expressing our opinion either through representation on the Third Committee or through a communication.

WILSON

500.A15 Arms Truce/13 : Telegram

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

[Paraphrase]

WASHINGTON, September 18, 1931—1 p. m.

113. Reference is to your No. 132 of September 16, 5 p. m. I feel that if the League is asking the non-member states to participate in the Third Committee for the purpose of discussing the Grandi proposal, this Government should accept. I reach this conclusion because of our deep and continuing interest in disarmament and because of the fact that now a specific proposal of a new character is to be brought before the Third Committee of the Assembly for discussion.

If you find that we are to be invited please advise at once in order that we may make an appropriate statement here before public announcement is made elsewhere. In the meantime you may make oral use of this information in such manner as you deem advisable.

I am going to inform the French Chargé that we have received a suggestion of joining the Third Committee for the purpose of this discussion; that we would be inclined to do so if invited and of our generally favorable attitude toward a holiday proposal without going into the details of Grandi's proposal or of our own situation.

The naval holiday proposal will probably involve a larger sacrifice for the United States in large vessels because our cruiser program is behind that of other powers. We would not be deterred from proposing such a sacrifice to the American people because we are most anxious to proceed in harmony with Signor Grandi's objectives. However, there is a minor difficulty which you must state clearly. We advertised for bids for certain destroyers before the arms truce discussions arose. The bids have been received and are in the process of being let. Furthermore we have allotted the construction of these destroyers over different sections of the United States as an intrinsic part of the unemployment program. We shall have to find some way of taking care of this situation without disrupting this particular program. Possibly you may have some recommendation arising out of your knowledge of what other countries have in mind.

I see no reason why this Government could not regard the three main points of the Grandi proposal as an acceptable basis for discussion. Of course, among other things we must be informed as to their feasibility in the light of certain details such as the date when they become effective, the universality of their acceptance, and other questions.

HENRY L. STIMSON

500.A15 Arms Truce/20 : Telegram

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

[Paraphrase]

GENEVA, September 18, 1931—3 p. m.
[Received September 19—12 : 30 p. m.]

141. Reference is made to the Department's telegram of September 18, 1 p. m., No. 113. In regard to the question of the destroyer *Eugene* [*new destroyers?*] there is submitted certain consideration in advance with respect to the attitude of [omission].

Should the United States Government take part in this debate it would without doubt encourage those who favor the proposal of Grandi. If this proposal were given a whole-hearted support in the early part of the discussion, doubtful states might very easily be induced to follow in line. With respect to the matter of destroyers our position here would undoubtedly be strengthened if you could find means of meeting the situation in America. On the other hand, if you are of the opinion that the destroyer situation should be settled through a possible agreement in Geneva, then I feel that we should not lessen our support through any reservation made immediately and which might possibly result in our participation being minimized. In consequence I suggest that in the early part of the discussions the American delegate should simply confine himself to giving whole-hearted approval to the Grandi proposal, referring to the difficulties caused by the cruiser levels, and to the sacrifices the United States is willing to make, and merely adding that certain minor difficulties exist which we can overcome when the matter of details comes up. Such a course would not weaken the force of our [omission], and at the same time would give us the opportunity of hearing the reservations with respect to the many difficulties with other states and would perhaps enable us to reach, through a consideration of those other difficulties, some formula which would take care of our own difficulty without making it necessary for us to make a definite reservation about it.

I would appreciate being informed, if it is convenient, as to the number of contracts for destroyers which have been let, and how many

contracts to be let still remain. I should also like to know whether the new construction is "replacement" construction. An understanding might well be reached to the effect that new contracts would not be let for naval units rather than making the laying down of keels the basis. Such an understanding might take care of our needs.

WILSON

500.A15 Arms Truce/15 : Telegram

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

[Paraphrase]

GENEVA, September 18, 1931—midnight.
[Received September 19—8:55 a. m.]

139. With reference to your 113, of September 18, 1 p. m. I have consulted Drummond in strict confidence. It is his intention to suggest to the Chairman of the Third Committee to propose that the Committee at its afternoon meeting today [*tomorrow*] urgently invite the non-League states which sat on the Preparatory Commission to participate in the Third Committee in the discussion of the Grandi proposal. These non-League states are the United States, Russia, and Turkey. The Secretary-General is certain that the proposal will at once be accepted by the Committee. He will have a written invitation already prepared which he will hand to me and which I will at once send to the Department. It is important to have your formal acceptance, together with the designation, in time for delivery to Drummond on the morning of the 21st should developments follow along this line.

WILSON

500.A15 Arms Truce/18 : Telegram

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

GENEVA, September 18 [*19?*], 1931—midnight.
[Received September 19—9:50 p. m.]

142. My 139, September 18, noon [*midnight*]. At opening of Third Committee today [56] the Chairman read the Scandinavian resolution and then stated that there were three powers non-members of the League which had participated in the work of the Preparatory Commission. He suggested that the Commission request the Secretary General to invite these three powers to take part in the deliberations. The suggestion received cordial approval from many representatives

[56] For the proceedings of the Third Committee, see League of Nations, *Official Journal*, Special Supp. No. 96: *Records of the Twelfth Ordinary Session of the Assembly, Minutes of the Third Committee (Reduction of Armaments)*.

but Madariaga [57] urged that all non-member states should be invited. Massigli [58] thenceforth questioned the competence of the Third Committee to issue such an invitation but confined his remarks to the technical side and added that the presence of representatives of the three states would give him great satisfaction. The Chairman suspended the sitting and on resumption of business proposed a resolution which was adopted unanimously requesting President of Assembly to refer question to Council in order that invitations might be issued to all non-member states to be represented on Committee. A different procedure was subsequently adopted according to which the matter was considered by Assembly General Committee tonight. In agreement with the latter and in pursuance of unanimous decision of Third Committee President of Assembly has despatched telegraphic invitation to all non-member states to participate in consultative capacity in discussions of Third Committee.[59]

WILSON

500.A15 Arms Truce/21 : Telegram

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

[Paraphrase]

WASHINGTON, September 19, 1931—2 p. m.

114. Reference is made to your telegram of September 18, midnight, No. 139. When the official invitation has been received by you you may reply to it by a note transmitted to the Secretariat of the League on my behalf, in which you accept in appropriate language the League's invitation to the United States to send a representative to the Third Committee of the Assembly for the sole purpose of participating in the discussions of the proposal of Signor Grandi for a truce on armaments (as described in your telegram No. 132, September 16), and informing the Secretariat that you have been appointed the representative of the United States. You are directed to telegraph the Department immediately the text of the League's invitation and of your reply thereto, which should not be presented to the Secretariat before Monday morning. On Monday morning we will also give this to the press.

STIMSON

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[57] Salvador de Madariaga, Spanish representative.

[58] René Massigli, French representative.

[59] The invitation from the President of the Twelfth Assembly was received in the Department September 19, 11 : 45 p. m., and accepted by the United States on September 21 (500.A15 Arms Truce/19, 22).

500.A15 Arms Truce/23 : Telegram

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

GENEVA, September 20, 1931—9 p. m.
[Received September 20—8:30 p. m.]

147. Third Committee meets Monday afternoon. I shall probably have to speak. I have prepared remarks embodying in early paragraphs our sympathy with Grandi's proposal based largely on your views as expressed in recent press conferences and pointing out the undoubted advantages which lie in a simple form of undertaking. I should appreciate urgently an expression as to whether you approve concluding paragraphs quoted herewith.

"May I now turn to the more specific undertaking which it is suggested that the states might accept in carrying out a renunciation of increase of armament. In general I may say that the suggestions relating to land and air appear to me to be practicable and of a nature acceptable to my Government.

You all know that matters touching naval armament are of more vital concern to us. My Government has not been able in the time at its disposal to survey this problem insofar as it relates to the Navy with that careful scrutiny which would enable us to give final approval at this moment to any particular form. I will ask you gentlemen to bear with me for a moment if I go back into past history merely for the purpose of pointing out that the London Conference provides for certain cruiser levels limiting the various significations up to the year 1936. Certainly those who participated in that conference are aware, as are doubtless many others who are present, that the present cruiser level of the United States is considerably below the figures provided for in the London agreement. Thus any undertaking on our part not to augment existing naval strength for a year, causes us, and I say it frankly, an embarrassment and a dislocation of construction plans. Nevertheless we regard the general question of disarmament as so important and the necessity of creating a psychological condition propitious for the Conference, as so urgent, that we are willing to forego our treaty rights in this respect.

The brief survey that my Government has been able to give to the effects of this proposal, if successful, has brought to light certain difficulties. I have no doubt that many of you present have found that the proposal entails difficulties of an administrative, budgetary and technical nature, not to mention difficulties arising from relations with neighboring states, [but?] it seems at the moment unnecessary for me to apprehend these particular problems which confront us. Should this debate develop, as I sincerely hope it will, in such a manner that it shows the possibility of real achievement, then I shall perhaps ask permission to lay before you the particular difficulties that confront the American Government and ask for the benefit of your sympathetic consideration of these problems. For the moment it seems to me that we should endeavor to gauge the senti-

ment of the members of this body towards the broader aspects of the problem which confronts us."

WILSON

500.A15 Arms Truce/24 : Telegram

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

[Paraphrase]

WASHINGTON, September 20, 1931—midnight.

115. Reference is made to your telegram of September 18, 3 p. m., No. 141. The reference to new destroyers concerns destroyers in replacement of over-age ships, of which the United States has a large proportion in destroyers, as for more than 10 years no new ones have been laid down. We have been informed by the Navy Department that bids for constructing these new ones have been received and opened, but that the contracts therefor will not be definitely let for a week or two, and that the keels cannot be laid down for a least a month or possibly 6 weeks.

At the session on Monday when you take up the matter of minor difficulties to be overcome in connection with the working out of the details, you are directed to point out specifically the matter of vessels which have already been contracted for or for the construction of which bids have already been made. In spite of the fact that we wish to give every encouragement to those powers which support the holiday proposed by Grandi, we must avoid placing ourselves in the equivocal position of urging foreign powers to act while we make ourselves a mental reservation to ask for exceptions in our behalf later on. Do not incur the risk of misleading your colleagues in regard to our intention to build the destroyers in question.

The suggestion that you make to the effect that the Grandi proposal be rewritten so that the first point will provide for prohibiting the letting of new contracts during the year of holiday instead of prohibiting the laying down of new keels, seems to offer a good deal of advantage from our viewpoint, but I would rather you gave support to such a wording if it were introduced by others rather than by us. However, if you deem it necessary you may introduce it.

The Department should continue to be kept completely informed of developments.

STIMSON

580766—46——36

500.A15 Arms Truce/26 : Telegram

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

GENEVA, September 21, 1931—3 p. m.
[Received September 21—1:50 p. m.]

149. Thanks for prompt action in your 115, September 20, midnight, and 116, September 21, 1 a. m.[60] After the paragraph dealing with cruisers ending with words "our treaty rights in this respect" [61] the concluding paragraphs read as follows:

"The brief survey that my Government has been able to give to the effects of this proposal if successful has brought to light certain difficulties. I have no doubt that many of you present have found that the proposal entails difficulties of an administrative, budgetary and technical nature, not to mention difficulties arising from relations with neighboring states.

In the case of the United States the Navy Department has asked for, received and opened bids for construction on a limited number of destroyers. These destroyers are the first ships in this category that the United States is building for over a period of 10 years and are destined to replace existing overage tonnage in that category. These contracts will be allocated in different sections of the country in connection with a general program of unemployment relief. This particular construction we cannot undertake to halt under present conditions.

Should this debate develop, as I sincerely hope it will, in such a way that it shows a possibility of real achievement, then I shall perhaps ask permission to enter into more detail in this matter and to invite your sympathetic consideration for the problem involved. For the moment it seems to me that we should confine ourselves to the endeavor to gauge the sentiment of members of this body towards the broader aspects of the problem which confronts us".

WILSON

500.A15 Arms Truce/27 : Telegram

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

GENEVA, September 21, 1931—8 p. m.
[Received September 21—6:40 p. m.]

150. At this afternoon's meeting of the Third Committee, after welcoming the representative of the United States, the Chairman recommended that the debate on the truce proposal be confined to an explanation by Colonel Inhaling [*Colban?*] of Norway of intended purpose of the Scandinavian resolution, and to a declaration by General de

[60] Latter not printed.
[61] See telegram No. 147, September 20, 9 p. m., from the Minister in Switzerland, p. 450.

Marinis [62] [omission] spoke in the sense of my 132, September 26 [*16*], 5 p. m., stating that he would submit an amendment to the Scandinavian resolution which will be shortly circulated. Discussion on this question will be resumed tomorrow afternoon. Inasmuch as Marinis' proposals were not generally known few of the delegates have definite views as yet as to what attitude they will adopt.

WILSON

500.A15 Arms Truce/33 : Telegram

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

GENEVA, September 22, 1931—9 p. m.
[Received September 23—12:24 a. m.]

154. At this afternoon's meeting of Third Committee the President announced that replies to the invitation to non-members had been received from Costa Rica, Egypt, Turkey, Argentina and Russia. The first three have accepted and have sent representatives while the Argentine and Russia found it impossible to accept owing to the short notice given. In her answer Russia declared that she was ready to adhere to a truce agreement provided it covered all forms of armament and was obligatory as regards all states.

Representatives of Hungary, Austria, India, Denmark, South Africa and Germany spoke generally in favor of the truce proposal. The German representative stated that the proposal could only be considered by his Government as a temporary measure which should in no way diminish the obligation of states to disarm.

In view of the absence from the meeting of several principal delegates owing to the Sino-Japanese crisis I decided to speak at tomorrow's meeting called for 3 o'clock.

WILSON

500.A15 Arms Truce/32 : Telegram

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

GENEVA, September 22, 1931—10 p. m.
[Received 11:48 p. m.]

155. My 150 September 21, 8 p. m. No formal amendment distributed. Herewith follows pertinent text of Marinis's speech:

"The Italian delegation realized that if the principles which I have just mentioned were to be applied in practice, land, sea and air armaments would have to be considered separately and that an attempt

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[62] General Alberto de Marinis, member of the Italian Senate; Italian representative on the Third Committee.

should be made to find a practical solution for each of the three main categories of armaments. It thus reached the following conclusions:

As regards land armaments it would doubtless be difficult to conceive of a truce in the form of a cessation of all manufacture, or purchase of material; neither is it possible to contemplate the restriction for a short period of the normal operation of recruiting and the military organization of effectives. It is therefore necessary to have recourse to some indirect means such as that of preventing any increase in expenditure. The Italian delegation accordingly proposes a truce in land armaments in the form of an undertaking on the part of each state not to increase expenditure on its army over and above the figures already voted for the current year.

As regards naval armaments a truce could easily be obtained through the suspension of any new construction. Each state would undertake for the period of the truce not to lay down any new warships. Ships in course of construction might on the other hand be completed.

As regards air armaments the truce might take the form of an obligation not to build new military air craft with the exception of the replacement of machines scrapped during the period of the truce.

As regards the duration of the truce the Italian delegation considers that the time which can reasonably be regarded as necessary under the most favorable conditions for the Conference to carry out its work and for the acceptance of its findings by all Governments (set forward?) as a criterion [*sic*]. In any case since the truce can only be of a temporary nature, and it is essential for practical reasons that its duration should be definitely limited, we are of opinion that a suitable period would be 1 year.

Finally as regards the form of the obligation to be assumed by states for the application of the truce the Italian delegation, with a view to avoiding the delay and difficulties inherent in the signature and ratification of a convention, proposes that each Government should make a formal and solemn declaration signifying its intention respecting the limitations imposed by the truce. I am well aware that from the strictly legal standpoint this form of undertaking, which our English friends call a 'gentleman's agreement' is not the most perfect form but I think you will all agree that in practice a declaration of this kind would be no less binding upon Governments than a treaty or convention."

WILSON

500.A15 Arms Truce/36 : Telegram

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

GENEVA, September 23, 1931—9 p. m.
[Received 10:50 p. m.]

158. Truce proposal discussion continued in Third Committee this afternoon.

Greece, Belgium, Netherlands spoke generally in favor of proposal.

Japanese representative proposed that the matter be held over for discussion at the opening of the General Disarmament Conference when necessary figures would be available and experts present.

I spoke following Japanese representative and in view of the latter's proposal I added to my prepared remarks that the value of the truce would be the beneficial effect of its immediate application.

Polish representative mentioned certain difficulties which would make it impossible for his government to accept anything binding before the General Conference, such as possession of larger armaments by neighboring countries, absence of certain countries which had made reservations, et cetera. He thought an attempt to enter into a discussion of the Italian proposal at this time would merely result in a preliminary disarmament conference.

Lord Cecil strongly supported the idea of a truce for two main reasons, (1) it would prevent piling up of armaments and, (2) it would create a better international political atmosphere. He thought a truce should be arrived at as soon as possible and begged Japanese representative to reconsider his attitude. He considered that the best way to take a practical step was for the Committee to draw up a resolution in broad terms to be fitted into the Scandinavian proposal. The resolution if adopted by the Assembly should be sent to all Governments invited to the Disarmament Conference with the request that each Government before November 1st, 1931 should state whether it was prepared to agree to a truce. Cecil thought this would meet the Polish objections since the attitude of all states would then be known.

Debate continues tomorrow with seven more speakers including France on the list.

WILSON

500.A15 Arms Truce/39 : Telegram

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

GENEVA, September 24, 1931—10 p. m.
[Received September 24—8:45 p. m.]

162. At meeting of the Third Committee this afternoon Madariaga declared that while his Government was prepared to vote in favor of any proposal which the Committee would accept unanimously he would suggest as a more farsighted and elastic measure a proposal whereby the Assembly should recommend to all nations participating in the Disarmament Conference a 10 per cent budgetary reduction on armament expenditures covering the period of 1 year.

In view of our previous attitude on budgetary limitation [63] unless I receive instructions to the contrary I shall maintain entire reserve if this proposal takes the form of a resolution.

WILSON

500.A15 Arms Truce/40 : Telegram

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

GENEVA, September 24, 1931—11 p. m.
[Received September 24—9:25 p. m.]

163. At meeting of the Third Committee this afternoon French representative after criticising Italian proposal from its technical side offered in turn the following proposal to the effect that the Governments attending the Disarmament Conference should be invited to submit some time in January 1932 their declarations with regard to the manner in which they are prepared to comply with the Italian proposal. These declarations, doubtless accompanied by numerous reservations, would then be considered in early stages of Disarmament Conference and an agreement reached provided a sufficient number of states were favorably inclined. The Little Entente supported French proposal as well as Sweden and Finland. Switzerland declared in favor of Scandinavian resolution as measure on which unanimity could be obtained.

It was then decided that the various tentative proposals put before the Committee should be considered by a drafting committee in the remote hope of arriving at some form of text which could be unanimously adopted.

I have been appointed as a member of drafting committee in a "consultative capacity". We meet tomorrow morning.

WILSON

500.A15 Arms Truce/41 : Telegram

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

GENEVA, September 25, 1931—2 p. m.
[Received September 25—11:40 a. m.]

164. My 163, September 24, 11 a. m. [*p. m.*] Drafting committee met this morning. It was at once evident that neither Italian proposal in its entirety nor French proposal were acceptable to a sufficiently large number to hope for unanimity. Cecil stated that the Scandina-

[63] For the attitude of the United States on budgetary limitation as expressed in the Preparatory Commission for the Disarmament Conference, see, for example, *Foreign Relations*, 1926, vol. I, pp. 94–95 and 97–98; and *ibid.*, 1927, vol. I, pp. 172–173.

vian resolution was unsatisfactory in that it did not specifically request the Governments to make a declaration adhering to a truce in armaments. He declared that he did not mind how general was this declaration provided a definite declaration could be obtained. I supported this view as I considered it the maximum of achievement possible.

It seems probable that consent can now be obtained to some general undertaking to a truce in armaments consisting of an engagement not to increase existing forces.

In view of general world conditions all delegates were desirous of making some mention of expenditure. There was at first a disposition to phrase the undertaking to the effect that the states would not increase either their expenditures or their armaments. I pointed out that our attitude on the general question of budgetary limitation had been made clear in the Preparatory Commission; that I did not know how you would view this problem in connection with a truce and suggested that something like the following phrase which provides more elasticity might simplify the problem:

"Will abstain from any measure that might lead to an increase in general expenses which might result in an increase in the actual level of their armaments".

This suggestion met with general approval.

Several delegates, notably France and Japan, also stated that they must consult their Governments. The committee therefore will meet early tomorrow morning and I should appreciate greatly being in a position to give our views at that time.

While the proposed general declaration is not as specific as we might have liked, I am of opinion that at present it is less in the form of a pious wish and has taken the more definite and desirable form of a gentlemen's agreement. Of this I am convinced: that it is the utmost limit of achievement possible at this time, and I believe that we can work out an undertaking which would create an excellent psychological effect. I hope it may be possible for us to concur.

WILSON

500.A15 Arms Truce/44 : Telegram

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

[Paraphrase]

WASHINGTON, September 25, 1931—6 p. m.

128. Reference is made to your No. 164 of September 25, 2 p. m. It is difficult to give you definite instructions without the entire text of the resolution before us. It is felt, however, that the phrase "will abstain from any measure that might lead to an increase in general ex-

penses which might result in an increase in the actual level of their armaments" upon analysis would not constitute a real truce, since extensive scrapping and replacement of naval armaments would be permitted. Is it meant for the "actual level" armaments built and building or only completed units? It might be interpreted, if the latter, as not allowing us to complete the seven Class A cruisers which are now building. These cruisers are not replacements. The phraseology might readily be interpreted as elusive in the light of the ambiguities described above. Rather than to include a truce which might lay the declarants open to forces of disingenuousness, it would be better to conclude no truce at all.

While we are prepared to agree in this case to a limitation of expenditures regarding land forces, it is still our feeling that, in the proposed truce, a practicable means in dealing with naval and air forces would not be represented thereby.

We feel that, without wishing to suggest any specific language, our position might best be met with a formula somewhat as follows:[64]

"Effective October 1, 1931, the powers declare that they will abstain from any construction of new naval armaments excepting those for which contracts have been let. The powers further declare that they will not increase their present strength of land and air armament."

The following for your confidential information: Replacement of aircraft and land material will be permitted by such a formula, and it is hoped that the necessity for a reservation regarding destroyers will be eliminated.

STIMSON

500.A15 Arms Truce/45 : Telegram

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

GENEVA, September 26, 1931—8 p. m.
[Received 10:45 p. m.[65]]

167. Your 128, September 25, 6 p. m. Following is the text of draft resolution submitted by the Bureau of the subcommittee of the Third Committee. This text was not formulated when I telegraphed yesterday.

"1. Being convinced that the crisis which at present is creating such serious disturbances among the nations of the world is due to a number of economic and political causes, one of the principal sources of which is the lack of mutual confidence between the nations,

2. Being convinced that a resumption of competition in armaments would fatally lead to an international and social disaster,

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[64] The following paragraph not paraphrased.
[65] Telegram in two sections.

3. The Assembly addresses a solemn appeal to all who desire the application of the principles of peace and justice on which the Covenant is based to devote all their efforts to the creation of a world opinion strong enough to ensure that the General Disarmament Conference will lead to definite results involving particularly a gradual reduction of armaments which will be continued until the object mentioned in article 8 of the Covenant is attained,

4. Considering that an undertaking of all participating states not to increase their armaments would contribute to create an atmosphere of confidence, to prevent rivalry in armaments and to prepare favorable grounds for the success of the work of the forthcoming Conference.

5. The Assembly requests the Governments invited to the Disarmament Conference to prepare for that Conference by a truce of armament and consequently requests the Council to urge the Governments to invite [*invited to*] the said Conference to give proposal [*proof of*] their determination to bring to success the efforts designed to assure and organize peace, and without prejudicing the decisions of the Conference or such programs or proposals as each Government may submit, the Governments to abstain for a period of 1 year as from November 1st, 1931, from initiating any new project which would tend to an increase of its annual expenditure for national defense which would involve an increase in the present level of armament; also asks the Council to request the Governments to state before November 1st, 1931, whether they are prepared to accept such an armaments truce."

Here follows the alternative text of French draft resolution which differs from the above Bureau text beginning with paragraph 4.

"4. Considering consequently that in refraining from increasing their armaments and in avoiding in this way rivalry of armament the states would contribute to create an atmosphere of confidence favorable to the success of the work of the forthcoming Conference.

5. The Assembly requests the Governments invited to the Disarmament Conference to prepare for that Conference by a truce of armament and consequently requests the Council to urge the Governments invited to the said Conference to give proof of their firm determination to bring to success the efforts designed to insure and to organize peace and without prejudicing the decisions of the Conference or such programs or proposals as each Government may submit, the Governments to abstain from any initiation of any new project tending to increase their armaments; also asks the Council to request the Governments to declare before the 1st of November 1931 whether they are prepared to accept such an armament truce for a period of 1 year beginning on that date".

The above in both versions of paragraphs 4 and 5 is my own translation from the original French texts and may therefore differ slightly from the official form which will not be available until Monday.

You will note that the only essential difference between the Bureau text and the French text is that latter omits all reference to budgetary limitation.

Subcommittee on drafting proposal for truce will probably not meet again. Third Committee will probably be called for Monday morning, finish its work by noon, Assembly will consider results Monday afternoon and then adjourn sine die.

During the course of this morning's discussion I stated that I had not received definite instructions from my Government pending receipt of texts but that it was felt in Washington that the proposed resolution was too vague and open to misconception and that the possible misunderstandings therefrom might be worse than no truce at all. I added that the budgetary method of limiting Navy and Air appeared to this extent entirely adequate [*inadequate?*].

In private conversations as well I expressed these views to other members of the subcommittee but it was immediately clear in the debate that the [garbled] census [*consensus?*] of opinion of subcommittee was overwhelmingly in favor of the project as drafted as the utmost obtainable with any degree of unanimity and that there was not the least possibility of going any further in the sense indicated in your 128, of September 25, 6 p. m. Indeed, the French delegation declared itself without instructions to accept even the draft resolution as prepared by the Bureau in its present attenuated form owing to the absence in Berlin of Briand and Laval.[66]

You will note from the texts that there can be no question as to our right to continue the cruisers which have been laid down and the destroyers on which bids have been offered since the truce will merely call for a declaration of abstention from the "initiation" of any project designed to increase armament (French project) or if the Bureau project be adopted to abstain from increasing expenditure which would result in an increase with present level of armament.

The committee was practically unanimous in the feeling that the draft resolution even in its present attenuated form is a step of real value especially in so far as continental states are concerned, and that public opinion in Europe will regard this as an earnest [of?] good faith and as providing an auspicious atmosphere for the forthcoming Disarmament Conference.

If we do not on Monday [indicate?] willingness to acquiesce in a resolution if adopted, which I believe in either form represents the maximum achievement possible under the circumstances, we shall find ourselves entirely alone or perhaps at the best in company with France and some of her continental allies in opposing a measure which the rest of the world really desires.

Nearly all speakers have laid emphasis on the fact that a declaration by the Governments would be an act of faith and that, necessarily, trust

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[66] Aristide Briand, French Minister for Foreign Affairs; Pierre Laval, President of the French Council of Ministers.

in the good faith of each other was the essential basis of this undertaking. Such a declaration has in fact been referred to often in the course of our discussions as a "gentleman's agreement", in counter-distinction to a detailed and formal convention.

Grandi tells me privately that he has made very great concessions from his original plan, that he does not like the present draft, but that at least a declaration by the states in favor of the truce is a step in advance and will have a good psychological effect. He is therefore ready to acquiesce in the Bureau text.

Certainly the result of our efforts is meager. Certainly many of the states would have desired a much more definite undertaking. All attempts however to discuss this plan on the basis of a more definite undertaking at once raised such insuperable technical contentions that it was apparent that such attempts must be abandoned.

I hope unless you feel strongly to the contrary that I may be instructed to express the concurrence of my Government on Monday morning before the Third Committee in whose [*whichever?*] form appears acceptable to the overwhelming majority of the states represented.

WILSON

500.A15 Arms Truce/46 : Telegram

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

GENEVA, September 27, 1931—11 a. m.
[Received September 27—9 : 55 a. m.]

168. Supplementing my 167, September 26, 8 p. m. Grandi who has remained over has come to the conclusion that rather than block unanimity so precious in the eyes of League members he will acquiesce in the French text. As I know that Cecil is also ready to acquiesce I believe this will make a unanimous decision at tomorrow's meeting if we are in a position to acquiesce as well.

No delegate has of course made any declaration as to his interpretation of the French text. Other than its psychological value the text would seem to serve only one useful purpose, namely, to provide during the period of the truce against disagreeable surprises, a point of particular value to the small continental states.

WILSON

500.A15 Arms Truce/49 : Telegram

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

WASHINGTON, September 27, 1931—3 p. m.

129. Your 167 September 26, 6 [*8*] p. m. and 168 September 27, 11 a. m. In the hope of seeing a text which embodies the spirit of an arma-

ments holiday unanimously adopted, we are prepared to acquiesce in the French version. You may so inform the Third Committee and add that well before November 1st this Government hopes to be able to make the declaration called for, subject of course to similar action on the part of the principal Military and Naval Powers.

STIMSON

500.A15 Arms Truce/47 : Telegram

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

GENEVA, September 27, 1931—8 p. m.
[Received September 27—4:15 p. m.]

169. Supplementing my 168, September 27, 11 a. m. Conversations later today have revealed that French text may permit France to continue naval construction under its 5-year building program while other states would undertake to abstain from "new initiative". Grandi now flatly refuses French text. There will probably, therefore, be no unanimous agreement tomorrow other than Scandinavian resolution.

WILSON

500.A15 Arms Truce/50 : Telegram

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

WASHINGTON, September 27, 1931—12 p. m.

130. Your 169 September 27, 8 p. m. I am greatly disappointed at the failure to agree on a text as reported in your 167. The Scandinavian resolution is unacceptable to us in its present form as it seems to be open to the same objections as the first draft you sent us (see my 128 September 25, 6 p. m.) namely: (1) the phrase "actual present levels" is ambiguous in that it might be interpreted as preventing completion of vessels now actually on the stocks; (2) it permits to some nations unlimited replacements in naval armaments.

I wish therefore you would see Grandi and Massigli and express to them our hope that they may join with the United States in finding a suitable text, pointing out the reasons why we consider the Scandinavian resolution as unsatisfactory.

[Paraphrase.] We consider that if the resolution of the French Government maintained for the year of the truce the "loi navale" [67]

[67] "Projet de loi sur le statut naval," a general plan for naval construction presented to the French Chamber of Deputies on December 16, 1924. Under this draft law the French Navy was to be built up year by year until its ultimate strength was attained in 1943. The "statut naval" never attained the force of law, but the yearly appropriations of the French Parliament for naval construction followed it closely.

it would make a sham of the whole plan. You may point this out to Massigli. I will never give my consent to it. [End paraphrase.]

STIMSON

500.A15 Arms Truce/51 : Telegram

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

GENEVA, September 29, 1931—2 a. m.
[Received September 29—1:17 a. m.]

170. Third Committee finally adopted a resolution and report at midnight tonight after nearly continuous sessions all day outside subcommittee and full commission.

In accordance with your 130 September 27, 12 p. m. I made every effort to bring the French and Italians together and in the course of a public meeting when the tide of opinion seemed to be turning in favor of the Scandinavian resolution I pointed out the weaknesses of that resolution and urged not giving up the attempt to accomplish something tangible. The text finally adopted is the French text (see my 167 September 26, 8 p. m.) substituting for the words "new project" the word "measure" in the last paragraph.

In the course of the debate in subcommittee it became clear that the interpretation was in favor of permitting replacement and that it was impossible to curtail full exercise of this right by the truce. I mentioned the advantage this gave to other signatories to the London Treaty as compared with us in view of our inability under the truce to make new construction and their ability to make replacements, and added my Government would have to give careful consideration to this. This remark was included in the draft report of the subcommittee but I had it eliminated before it reached the full committee since in any case full liberty of decision rests with each Government. In the course of this debate in the subcommittee Cecil suggested that if this point caused us any difficulty he thought we could be given satisfaction in direct negotiations between the three interested powers and subsequently told me privately that he thought his Government might be ready to forego replacement for the duration of the truce and together we might request Japan to do the same.

The actual text is approximately the same as that to which you authorized me to give approval in your 129 September 27, 3 p. m.[68] but the interpretation given to it is so little satisfactory that I did not make any commitment regarding our action at the time the vote was taken. I did not of course cast a vote in my "consultative capacity."

If I may venture a suggestion I think you will want to have the text of the report (about six typewritten pages) before commenting to the

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[68] Not printed.

press on this matter. The text and official translation will be available today when I will transmit by cable.

In favor of the document I can say that it should prevent surprises during the life of the Conference and that for this reason it will be felt to be of considerable advantage among the small powers of the continent.

It was provided at tonight's meeting that the Council be requested to arrange a means by which the states can consider the replies of the other Governments after November 1st before definitely committing themselves.

The Assembly will consider the Third Committee report in its final session this morning.

WILSON

500.A15 Arms Truce/52 : Telegram

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

GENEVA, September 29, 1931—11 a. m.
[Received 3 p. m.[69]]

171. My 170, September 29, 2 a. m. Following is text of report as finally adopted by Third Committee.

"In the general discussion of the report on the work of the League of Nations since the last Assembly a number of speakers emphasized the decisive importance of the result of the coming general conference for the reduction and limitation of armaments.

The Third Committee noted with keen satisfaction that the Council had fixed February 2nd, 1932, as the date for the convening of the General Disarmament Conference and that the confidence expressed by the Eleventh Assembly in this connection had thus been justified. The representatives of many countries expressed the opinion that the Assembly ought not to adjourn without contributing to the work of the said Disarmament Conference by preparing the moral atmosphere essential to its success by means of an act of international good will. This view was expressed by a large number of speakers in the Assembly, in particular by the first Italian delegate, Mr. Grandi, who announced a proposal for the institution of an armaments truce as a means of preparing the Conference. The matter was also the subject of a draft resolution submitted to the Assembly by the Danish, Norwegian, Netherlands, Swedish and Swiss delegations and referred to the Third Committee on September 12th last.

This draft resolution proposed that the Assembly should in the first place issue a solemn appeal to all who desire the application of the principles of peace and justice on which the Covenant is based to devote all their efforts to the creation of a world opinion strong enough to insure the success of the Conference and in the second place request the Council to urge the governments summoned to the Conference to

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[69] Telegram in two sections.

abstain, pending its result, from any steps for the increase of the present level of their armaments.

The Third Committee was of opinion that in view of the close connection between its discussions on the subject and the work to be done by the Conference it would be desirable for those states not represented in the Assembly, but which are invited to take part in the Conference, to take part also in the work of the Third Committee relating to disarmament.

On the Third Committee's proposal the President of the Assembly, in agreement with the General Committee on September 19th, invited the following states to be represented on the Committee:

Afghanistan, Argentina, Brazil, Costa Rica, Egypt, Ecuador, Salvador, Turkey, the Union of Soviet Socialist Republics and the United States of America. It was proposed that the states that were not members of the League should be represented in an advisory capacity only.

The following states accepted the Assembly's invitation: Costa Rica, Egypt, Turkey, United States of America and Brazil, the latter being represented by an observer.

The Government of the Union of Soviet Socialist Republics stated that in view, among other things, of the short notice given it was unable to send a delegate to take part in the discussions of the Third Committee. Being, however, always prepared to support any proposal for the limitation of armaments it would be disposed to associate itself with the proposal of the Italian Foreign Minister, Mr. Grandi, provided that proposal was adopted in a form obligatory on all countries, and that it covered all classes of armaments and that the signatories of the undertaking confirmed that it should not in any case replace or postpone the essential problem of disarmament or limitation of existing armaments which must be settled as quickly as possible.

The Third Committee had before it on the one hand the draft resolution presented by the five countries; on the other hand a concrete proposal proposed by the Italian delegation to give effect to the proposal made by Mr. Grandi at the Assembly. A discussion of some importance took place in connection with these proposals.

The idea of an armaments truce as a contribution to the preparation for the Conference met with general assent. But opinion was divided as to the forms and methods of giving practical application to this idea.

In the course of the Committee's discussions the Italian delegation with the support of a certain number of other delegations, and particularly of the British delegation, submitted a draft resolution which in its view while based on the same motives as the five countries' draft resolution was calculated to give more precise form to the idea of the armaments truce.

The Italian proposal was that each Government should undertake for a period of 1 year dating from November 1st, 1931:

> 1. Not to increase its expenditures on land forces already authorized for the current financial year, and not to exceed the total of such expenditure during the next financial year until the expiration of the truce.

2. Not to place any warship on the stocks provided always that vessels under construction might be continued and completed.

3. To suspend the construction of additional military aircraft, except to replace machines which are placed out of commission during the truce.

The British delegation completed the Italian proposal by an amendment to which the Italian delegation agreed, with regard to the procedure to be followed for the practical application of the Italian proposal.

The Committee moreover had before it certain amendments by the French delegation to the five countries' draft resolution. Useful suggestions were also made by a large number of delegates.

The Third Committee was of opinion that a tangible gesture should be made, indicating not only the desire of the countries represented on the Committee to renounce for 1 year, as from November 1st, 1931, any increase in the present level of their armaments, but also creating before February 2nd, 1932, an atmosphere favorable to the success of the Great Disarmament Conference.

The Committee was fully conscious of the fact that such an undertaking could not and should not replace the decisions that might be reached on a contractual basis at the Conference itself.

Nevertheless it felt that it would be expedient to make a gesture which, although having a chiefly moral character, would be, in the Committee's opinion, none the less effectual in its effects on the Governments and public opinion.

The Committee's aim has been to prepare the moral atmosphere of the Conference by getting the present session of the Assembly to take a plain and palpable decision for an armaments truce. Certain delegations felt that a vague obligation was likely to lead to different interpretations and consequently to dangerous controversies, and that only definite obligations could answer to the end in view. But this made it necessary to elaborate a veritable convention, and only the Conference itself could do so at the outset of its work. Nevertheless other delegates including the Italian delegation pressed this proposal pointing out that otherwise the truce could not be utilized as an element in preparing for the Conference.

But the Italian proposal, which had the virtue of defining the obligations to be assumed, contained, as some delegations thought, technical difficulties as regards execution, caused by the definition itself and by the short period allowed the various countries between the adoption and the execution of the plan. The Committee strove to combine the advantages of the various proposals by eliminating their disadvantages, viz, by inviting the various Governments to assume material obligations which were nevertheless sufficiently flexible to allow them to be carried out. The result was the resolution, the text of which is given later. This resolution is intended to prevent an increase in the effort at present being expended on the whole of the armaments of each country.

Certain delegations made a point of stating explicitly that they did not regard as incompatible with the principle thus laid down, which must remain predominant, such measures as the normal carrying out

of legal enactments relating to effectives, the regular execution of programs for the upkeep and renewal of land, naval and air material or fortifications and the constitution of the corresponding stocks.

The armaments truce will be brought about by means of an undertaking to be given in the form of a declaration by the various Governments before November 1st, 1931. Certain delegations consider that it is to be anticipated that in their replies states will take into account the position of their neighbors and especially those who are not members of the League of Nations.

If, as a result of unforeseen circumstances, such as are more likely to arise in the case of countries having responsibilities overseas, a Government should find itself compelled to suspend the operation of its declaration, the Secretary-General of the League of Nations should be immediately notified and should inform the other Governments concerned.

The Third Committee hopes that by unanimously accepting the proposed truce, the Governments members or non-members of the League will help to create an atmosphere favorable to the work of the important Conference to which they have been summoned.

The Third Committee therefore proposes to the Assembly the adoption of the following resolution:

> Convinced that the crisis which at the present time is creating such profound disturbance among the nations of the world is due to a number of economic and political causes originating principally in the lack of mutual confidence between the nations, and,
>
> Convinced that a renewal of the competition in armaments would necessarily lead to an international and social catastrophe,
>
> The Assembly addresses a solemn appeal to all those who are desirous that practical effect should be given to the principles of peace and justice upon which the Covenant is based and urges them to devote all their efforts toward creating a world opinion strong enough to enable the General Disarmament Conference to achieve positive results, including in particular a gradual reduction of armaments to be continued until such time as the object laid down in article 8 of the Covenant is attained.
>
> In view of the fact that an undertaking on the part of all states not to increase their armaments would help to create an atmosphere of confidence, to prevent competition in armaments and to prepare the ground for the success of the forthcoming Conference:
>
> The Assembly,
>
> Requests the Governments invited to the Disarmament Conference to prepare for this event by means of an armament truce and accordingly
>
> Requests the Council to urge the Governments convened to the said Conference to give proof of their earnest desire for the successful issue of the efforts to ensure and organize peace and, without prejudging the decisions of the Conference or the programs or proposals submitted to it by whatever Government, to refrain from any measure involving an increase in their armaments.

580766—46——37

Likewise requests the Council to ask the Governments to state before November 1st, 1931 whether they are prepared for a period of 1 year from that date to accept this truce in armaments."

WILSON

500.A15 Arms Truce/55 : Telegram

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

GENEVA, September 29, 1931—4 p. m.
[Received September 29—1:50 p. m.]

172. My 171, September 29, 11 a. m. Assembly adopted resolution and report of Third Committee this morning.

[Paraphrase.] As of possible interest to you, Grandi considers that although a very different kind of truce would have been preferable, a really valuable step in establishing confidence has been taken. Moreover, he is impressed by the conciliatory attitude of certain Governments which, at the start, were clearly reluctant to take any step and he is satisfied that his negotiators accomplished what was possible. [End paraphrase.]

WILSON

500.A15 Arms Truce/57 : Telegram

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

[Paraphrase]

WASHINGTON, October 1, 1931—11 a. m.

133. Please telegraph full text urgently of statements made by any delegate before the Third Committee or elsewhere stating as a definite opinion that the proposed truce did not affect the completion of ships in the process of construction. It is possible that the Department might want to utilize this information to correct any misapprehensions expressed in the press.

STIMSON

500.A15 Arms Truce/60 : Telegram

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

BERNE, October 2, 1931—1 p. m.
[Received October 2—11:55 a. m.]

177. Your 133, October 1, 11 a. m. The authors of the two proposals (Italian and Scandinavian) were united on the point that construction already begun could be carried to its completion.

In the eighth meeting of the Third Committee on September 21 the Italian delegate said "vessels under construction could be continued and completed".[70] In the ninth meeting on September 22nd the Danish delegate said "the expression 'not to increase the present level of armaments' did not imply that work under consideration would be stopped".[71] Also see report in my 171, September 29, 11 a. m., in that portion dealing with Italian proposal point 2 reading as follows:

"Not to place any warship on the stocks provided always that vessels under construction might be continued and completed".

[Paraphrase.] There are no minutes of the subcommittee in which the greater part of the debate took place, but at no time was there any doubt cast on the right of a state to complete construction already begun. Frequently it was stated that this right would be unaffected by any agreement reached. [End paraphrase.]

WILSON

500.A15 Arms Truce/66

The Secretary-General of the League of Nations (Drummond) to the Secretary of State[72]

No. C. L. 257.1931.IX. GENEVA, October 2, 1931.

SIR: In execution of a decision of the Council of the League of Nations of September 30th, the text of which is attached, (C.639(1).-1931.IX) [73] I have the honour to forward the report and resolution relating to the armaments truce adopted by the Assembly on September 29th. (A.93.1931.IX)[74]

In accordance with these decisions, I would ask you to be good enough to let me know before November 1st, 1931, whether your Government is prepared, in accordance with the terms of the above-mentioned resolution and report, to accept the armaments truce proposed by the Assembly.

I have [etc.] ERIC DRUMMOND

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[70] League of Nations, *Official Journal*, Special Supp. No. 96, p. 33.

[71] *Ibid.*, p. 36.

[72] Transmitted to the Department by the Chargé in Switzerland in his despatch No. 2268, October 3; received October 14.

[73] League of Nations, *Official Journal*, December 1931, p. 2304.

[74] See telegram No. 171, September 29, 11 a. m., from the Minister in Switzerland, p. 464.

500.A15 Arms Truce/74 : Telegram

The Secretary of State to the Chargé in Switzerland (Greene)

WASHINGTON, October 29, 1931—5 p. m.

144. Your despatch 2268, October 3.[75] Please transmit the following note to the Secretary General of the League of Nations in the usual informal manner:

"The Secretary of State presents his compliments to the Secretary General of the League of Nations, and with reference to the latter's note of October 2 with regard to an armaments truce proposed by the Assembly, has the honor to make the following declaration:

'The Government of the United States has received the resolution of the Council of the League of Nations of September 30, 1931, suggesting an armaments truce and declares that, without prejudicing its position at the forthcoming General Disarmament Conference or affecting any proposal it may desire to submit to that Conference, it is prepared, for the period of 1 year beginning November 1, 1931, to accept the truce, provided that like action is taken by the other principal military and naval powers.

It is the understanding of this Government that the proposed truce shall not apply to construction which had been begun or for which contracts had been let prior to its entry into force.

The Government of the United States hopes that by a unanimous acceptance of this truce an atmosphere of confidence will be created which will prevent competition in armaments and prepare the ground for the successful conclusion of the General Disarmament Conference.' "

Text will be released here for Saturday afternoon papers appearing on streets not before 9 a. m. Eastern Standard Time. Please arrange for simultaneous release in Geneva.

STIMSON

500.A15 Arms Truce/114

The Secretary-General of the League of Nations (Drummond) to the Secretary of State[76]

No. C. L. 293. 1931.IX. GENEVA, November 14, 1931.

SIR: Under cover of my Circular Letter No. C. L. 257[77] I had the honour to send you the report relating to the Armaments Truce, adopted by the Council on September 30th last.

The last paragraph of this report authorizes me to take, in consultation with the President of the Council, such measures as may be

[75] See footnote 72, p. 469.

[76] Transmitted to the Department by the Chargé in Switzerland as an enclosure to his despatch No. 2349 of November 18; received November 28.

[77] *Ante*, p. 469.

necessary to forward to you the replies of the various Governments invited to the Disarmament Conference, so as to enable your Government to consider the said replies and to take a final decision on the matter.

I have sent you all the replies which have reached me to date.

The President of the Council, whom I have consulted on this subject, is of opinion, after consideration of these replies, that he is justified in concluding:

that none of the Governments are opposed to the truce and that, on the contrary, all have declared their willingness to accept it;

that a number of Governments make their acceptance conditional upon reciprocity and that such reciprocity has in fact been achieved;

finally, that many of the replies contain interpretations and observations, but that these interpretations and observations appear to be in keeping with the spirit and the letter of the resolution and report.

In these circumstances, the President of the Council is of opinion that the procedure which would be most in harmony with the objects of the truce and the spirit of the Twelfth Assembly's discussions on this subject, and which, moreover, would avoid the delay involved in a further consultation of the Governments concerned, would be to consider, unless and in so far as Governments do not forthwith intimate any objection to this course, that the Armaments Truce has, under the conditions laid down in the Resolution and the Report adopted by the Assembly on September 29th last, been accepted for one year as from November 1st, 1931, by the Governments invited to the Disarmament Conference.

I have [etc.] ERIC DRUMMOND

PREPARATIONS FOR THE GENERAL DISARMAMENT CONFERENCE[78]

500.A15a4/3½

The Chairman of the American Delegation on the Preparatory Commission for the Disarmament Conference (Gibson) to the Secretary of State

GENEVA, December 6, 1930.
[Received December 26.]

DEAR MR. SECRETARY: As the work of the Preparatory Commission draws to a close, plans for the General Disarmament Conference are taking rather definite shape and I feel I ought to tell you something as to what sort of Conference is in prospect.

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[78] For previous correspondence concerning the work of the Preparatory Commission for the Disarmament Conference, see *Foreign Relations*, 1926, vol. I, pp. 40 ff.; *ibid.*, 1927, vol. I, pp. 159 ff.; *ibid.*, 1928, vol. I, pp. 235 ff.; *ibid.*, 1929, vol. I, pp. 65 ff.; and *ibid.*, 1930, vol. I, pp. 187 ff.

It seems to be generally accepted that the Conference cannot be expected to achieve more than a minimum program as regards limitation, that there will be no reduction, and that the most that can be hoped for is to approximate a stabilization of existing armaments. Even if Russia is represented at the Conference, it will not be for the purpose of entering into any commitments which will reassure the other European countries, nor will its commitments, if any, be trusted. Germany has served notice that any limitation of land armaments on the lines recommended by the Preparatory Commission, will afford her no incentive to be a party to the Treaty. There is a considerable possibility that a Treaty on land armaments, along the lines of our present draft, would be used by Germany to justify precipitating the whole question of revising the military clauses of the Versailles Treaty.[79] Extreme nervousness on this subject has been manifest in the speeches of the delegations representing the European military Powers, and more than one intimation in the same direction has come from the German Delegation. Therefore, we have to face the possibility that the Continental military Powers will lay down figures based on the assumption that Germany will seek to free herself from the disarmament clauses of the Versailles Treaty.

Unless, between now and the opening of the Conference, existing political and naval questions are settled between France and Italy,[80] it seems pretty clear that Italy will be a serious stumbling block in the way of anything in the nature of reduction or even agreement. If there is any development of the present trend toward Italian understanding with Germany, Russia, Hungary, Bulgaria and Turkey, the European countries may go to the Conference divided into two clearly defined camps which will not make for conciliation and good understanding. The States bordering on Russia have made it clear that unless Russia is satisfactorily bound by the Treaty, they must be exempt from many essential provisions of that Treaty until such time as there may be some agreement with Russia. The French, who have claimed leadership in the disarmament movement, feel that their primary concern is security, and as matters now stand they find security only in adequate armament for themselves and their allies; Belgium, Poland, Czechoslovakia, Roumania and Yugoslavia.

While I was writing this letter, in the course of to-day's debate it was decided that the reports of the Committee on Security, should be forwarded to the General Conference for consideration in connection with the limitation and reduction of armaments problem. The speeches in this connection made it clear that the problem of security on the Con-

[79] *Treaties, Conventions, etc.*, 1910–1923, vol. III, p. 3329.
[80] See pp. 358 ff.

tinent will be brought to the fore quite as insistently as the problems directly connected with the limitation of armaments. There are as many separate phases of this problem as there are States in Europe, and each one, I fear, will have to be debated exhaustively both in its relation to figures and its insistence upon Treaties for arbitration, mutual guarantees and assistance in time of danger, etc., to say nothing of bringing in the consideration of sanctions.

These are some of the principal obstacles in the way of limitation which will face the Conference when it meets, and even if it is not completely disrupted by political considerations, it is difficult to see how it can achieve more than an agreement to stabilize armaments at existing levels during the life of the general Treaty.

In spite of this discouraging situation, it is recognized that some effort must be made. Disarmament is one of the principal missions of the League of Nations, and if, after twelve years of existence and the conclusion of the work of the Preparatory Commission, no effort is made to reach an agreement, the League will suffer a serious blow. Furthermore, if the whole question were allowed to go by default, no matter what practical difficulties existed, Germany would inevitably seize upon this as a pretext for demanding a revision of the disarmament clauses of the Versailles Treaty on the ground that the other powers had no intention of carrying out the general measures of disarmament foreshadowed in the Preamble of Part V of the Treaty of Versailles. The Germans have built up a belief in their own country, and to some extent in other countries, that this provision of the Versailles Treaty was in the nature of a contract between the Germans and the Allied Powers, and that if those Powers made no effort to carry out their part of the contract Germany should be released from her present obligations. Whatever the foundation in law or fact for this contention, it is recognized that German propaganda on the subject has created a situation where the Powers must make an effort to get a treaty of some sort which will help them to insist on the maintenance of the disarmament clauses of the Versailles Treaty. So they feel that by all the disarmament talk of the past years, the member States have manoeuvered themselves into a position where they must meet in conference no matter how small the prospect of success. It is felt that the League can claim to have accomplished something if it puts a stop to the expansion of armaments, sets up a Permanent Commission to handle information in regard to armaments, and gets the Governments committed to the idea of periodic meetings in the future for the purpose of achieving further measures of limitation and reduction.

What concerns us chiefly is the American role in the coming Conference. So far as naval limitation is concerned, we are already

bound by existing Treaties. As regards land armaments, it is not conceivable that measures of limitation will be generally adopted which will bring the other Powers down to a level where our army would be affected. No measures of limiting air armaments have thus far been devised which seem in any way effective, and here again we shall probably remain inside the scope of any measures of limitation which may be agreed upon.

Therefore, it would seem that our role in coming to the Conference will be that of a Power limited in its one formidable arm, and with land and air armaments at such low levels that they will not be affected. In other words, the strength of our actual armed forces will not enter into the calculations of the Conference. All that we can hope to do is to exercise a helpful influence from time to time. We can and should, of course, make clear at the beginning of the proceedings, our views as to the methods which must be adopted before there can be any real limitation and reduction of armaments, but no matter how sound our views on these questions, we know in advance that we shall not persuade certain other countries to accept them; to agree to abolish peace time conscription, to limit trained reserves, and to accept the direct limitation of materiel in service and in stock. We can do something useful by drawing attention to the methods which alone can lead to real limitation and reduction, and make it clear that the measures now under discussion offer little hope of real achievement, but neither by pleading nor threatening can we hope to accomplish any more.

A great many people in our country are bound to feel that because certain measures are desirable, we should insist on their adoption, just as was the case when we were urged at London to insist on the abolition of battleships and submarines. These people tell us things that should be done, but neglect to tell us how they are to be accomplished.

Our people are inclined to feel that the American Delegation at such a Conference should play a distinguished and dominating role, but so far as I can see there will be very little glory for the American Delegation, and the best we can hope for is to exercise a wholesome influence and avoid on the one hand the imputation that we have blindly acquiesced in half way measures, and on the other hand the resentment caused by bulldozing methods which cannot achieve their purpose. For that reason I hope you will give thought to the desirability of sending a delegation which will be as small in numbers as is consistent with carrying out its mission.

So far as we can see from the present tentative plans, the Conference will be divided into three committees on land, sea and air armaments, together with an important political committee, which will have at its disposal, experts in law and drafting and which will handle

all save strictly technical questions. Confidentially, it seems probable that Beneš [81] will be Chairman of the General Conference to act as a sort of Field Marshal and keep the work of the various committees coordinated and moving. Our chief delegate would have the duty of acting as spokesman in the plenary meetings, sitting on the political committee, and presumably on the steering committee which is also under consideration. As regards the committees dealing with the three categories of armaments, we need men who can hold a watching brief for us, but they should be men who are thoroughly versed in the technical aspects of the question.

So far as we can now gather, the Powers represented here seem to have the intention of considering even the land, sea and air committees as primarily political in character, and it is to be expected that they will have civilian spokesmen on these committees aided by technical advisers. This seems a reasonable procedure, and you may consider it well that we should have for each of these committees either a delegate, or a civilian of sufficient seniority and authority, to act as our spokesman.

From our conversations with Drummond,[82] Beneš and others best qualified to express an opinion as to the duration of the Conference, it would seem that plans will be made for a minimum of four or five months with the possibility of adjournment at the end of that period, and a further concluding session after the meeting of the Assembly in September, 1932.

Naturally, the War and Navy Departments will have to give detailed and prolonged study not only to arrive at the figures which we will suggest for insertion in the tables, but also to map out what plans they can, and to see how far they can go to meet the needs of other nations. But perhaps of greater importance, the political representatives of the United States will have to have a considerable period of time in which to familiarize themselves with the attitudes which have been adopted and the theses which have been maintained by the various groups on the Continent during the course of the debates of the past five years, and the reasons for these various theses. Obviously, the discussions will center to a large extent around these previous debates. I venture to point this out in order to indicate the necessity of deciding on the composition of our delegation far enough in advance of the Conference to permit this detailed and difficult study.

The necessity for this is all the more obvious when one remembers the difficulties and intricacies of the London Conference [83] in-

[81] Eduard Beneš, Minister for Foreign Affairs of Czechoslovakia.
[82] Sir Eric Drummond, Secretary-General of the League of Nations.
[83] See *Foreign Relations*, 1930, vol. I, pp. 1 ff.

volving only five nations and part of one category of armaments, whereas the General Conference will involve all categories of armaments as they affect some fifty powers, as well as bringing into play various conflicts of States and groups of States, and the issue of security in far more acute form than it was brought out in the London Conference.

I am sorry if the picture I have presented appears dark and discouraging, but it is in fact less pessimistic than much of the comment which is current here. I feel that in connection with all the difficulties, we can find some comfort in the thought that even such a minimum program as stabilization of armaments at existing levels, together with the setting up of new machinery to deal with information in regard to armaments and the application of the Treaty, will tend to accustom public thought to the idea of disarmament as a practical measure, and cause it to look to periodic conferences to bring about still more effective measures of limitation and reduction. This, while doubtless a great disappointment to public opinion which has set its heart on reduction, will nevertheless be a material improvement on the existing situation.

Very respectfully yours, HUGH GIBSON

500.A15a4/4

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

GENEVA, December 7, 1930.
[Received December 26.]

DEAR MR. SECRETARY: In view of the Department's telegram No. 3,[85] in which you authorize me to hold myself available for consultation during the approaching session of the Council in January, it seems to me advisable to lay before you, as well as we can foresee it, the situation which will probably develop.

In all probability Beneš will be named by the Council as Chairman of the General Disarmament Conference. It is particularly requested that this be treated as confidential for the present. It is also the plan that during the period between his nomination and the summoning of the Conference, he will occupy himself with the problem of sounding out the situation among the States of Europe to try and harmonize the points of view as far as possible in advance.

The date will probably be set sometime in February 1932, and the place Geneva. There has been discussion of the advisability of moving to another city, but the practical objections of the Secretariat to pulling up stakes, will probably prevail.

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[85] Not printed.

As far as Gibson and I can see, the choice of the Chairman is an excellent one. Beneš occupies a unique position on the Continent, both through his length of service as Minister for Foreign Affairs, and his conciliatory and intelligent nature. He will probably be able to create a greater degree of harmony than any other one man.

As far as the date is concerned, this seems entirely practical from the point of view of study and other work of the Secretariat, inasmuch as it leaves an opportunity for uninterrupted work from the month of February until the meeting of the Assembly in September, in case such a prolonged session is necessary.

Unless, therefore, you desire me to take some other position and express preference for some other date, I shall assume that you wish me to acquiesce in such arrangements.

Very respectfully yours, HUGH R. WILSON

500.A15a4/6½

Memorandum by the Chief of the Division of Western European Affairs (Marriner) of a Conversation With the British Ambassador (Lindsay)

[WASHINGTON,] January 2, 1931.

The British Ambassador took me aside at the Secretary's breakfast at the Pan American Union yesterday and said that he had just received a telegram from his Government stating that at the forthcoming meeting of the Council of the League, the question of the organization of and date for the final Disarmament Conference would come up. He said that it was generally understood that the date would be February, 1932, and that at present it was contemplated that Beneš should be President of the Conference. He likewise said that it had been informally agreed that Munch, of Denmark,[86] should be one of the two Vice Presidents, this being an effort to offset the alleged pro-French point of view of Beneš. He said that it was the desire of his Government and many of the other European Governments that the other Vice President of the Conference should be chosen from the United States in order to have someone of great prestige and at the same time someone disinterested in the immediate European problems. He said that the President and the two Vice Presidents would form a sort of small steering committee previous to the calling of the Conference, in order to sound out the various Governments and prepare the work of the Conference.

I asked the Ambassador if his Government had specified anyone in particular and he said no, although they felt that some such person as Hugh Gibson would be ideal. I told the Ambassador that I had some

[86] Peter Munch, Minister for Foreign Affairs of Denmark.

doubts as to whether this Government would feel like assuming a responsibility of this character, as in a triumvirate such as he suggested, the United States, as the only one of the Great Powers represented, would no doubt assume, in the eyes of the world, a major part of the responsibility for the success or failure of the Conference. The Ambassador said that he hoped that we would be willing to make this contribution to the cause of disarmament, in which we had always been so keenly interested.

The Ambassador said he had spoken to me in order that I could sound out the Secretary and give him time perhaps to speak with the President before he should himself follow out his instructions of putting the question up to the Secretary personally. I told him I would do so and make an appointment for him to see Mr. Stimson.

J. THEODORE MARRINER

500.A15a4/6

Memorandum by the Secretary of State of a Conversation With the British Ambassador (Lindsay)

WASHINGTON, January 6, 1931.

The British Ambassador called in reference to the suggestion that we should accept an American Vice Presidency of the coming General Arms Conference, the President of the Conference being Beneš and the other Vice President being Munch of Denmark. I told him flatly that we would not accept such a position, and I told him that my chief disappointment about the matter was the attitude on the part of Great Britain, France, Italy and Germany, in respect to such Conference. I told him I did not see how such a Conference could possibly be successful unless those four Powers got to work early and made the most thorough kind of preparation and this proposition indicated that they were standing off and not making any such preparation, and that it tended to make the whole think look like a farce. I told him that I was not declining because of lack of interest in the Conference; but I in fact regarded the question of disarmament as the most important dangerous question in Europe today. He said he agreed with me on that. I told him that when I realized from my own experience how much preparation we had carefully made for a Five Power Naval Conference on comparatively few questions, my disappointment was all the keener in regard to a conference involving infinitely more difficulties and questions as this coming conference would.

We then had a very frank talk about the difficulties of the situation and its importance.

H[ENRY] L. S[TIMSON]

500.A15a4/8

Memorandum by the Chief of the Division of Western European Affairs (Marriner) of a Conversation With the British Ambassador (Lindsay)

[WASHINGTON,] January 10, 1931.

The British Ambassador called and left the attached memorandum [87] expressing the disappointment of Mr. Henderson [88] that the United States did not desire to cooperate with the President and Vice President of the forthcoming Disarmament Conference in the work of preparation.

The Ambassador said that he thought perhaps it was not fully understood that these personages were to serve not as representatives of their Governments but more in the quality of experts to plan the proper preparation and see that it was carried out before the meeting of the Conference. He said that it might be possible for the League to appoint some unofficial American citizen whose prestige would be great enough to bring about the same result as if it should be an appointment of the Government. I said that it would be extremely difficult to find a qualified person who would be willing to undertake such responsibility and he merely suggested in passing, by way of illustration, the name of Mr. Thomas Lamont.[89] He likewise suggested that possibly the use of the title "observer" might assist the Government to change its point of view on this question.

I told him that it was my understanding that the President and the Secretary were disturbed not about the names or titles as American opinion was fully sympathetic to cooperation in disarmament efforts, but their objections were based on the realities of the situation in that in a combination of two small European countries, one of them (Denmark), being totally disarmed, the position of the American working with them would be so prominent, and public opinion would so attach itself to him, that it would naturally involve this country in preparations and commit it to the success of a conference without the backing of the Great Powers which might, at the Conference itself, entirely disapprove or undo everything that had been previously arranged. I said that the London Conference had succeeded largely because the British and Americans had come to actual grips on the problems involved during the MacDonald visit [90] and that there seemed to be no possibility of this much more complicated one arriving at any result without similar action among the parties most heavily interested. Furthermore, the United States would, in any

[87] *Infra.*
[88] Arthur Henderson, British Secretary of State for Foreign Affairs.
[89] American banker; partner in J. P. Morgan & Co.
[90] See *Foreign Relations*, 1929, vol. III, pp. 1 ff.

combination of the character suggested, be the sole representative of a Great Power, and as such, have the responsibility for the attitude of all the Great Powers vis-à-vis the point of view of the small ones, which, not being a Member of the League of Nations or immediately concerned in the European problem, would be extremely difficult.

The Ambassador asked me if I would take up with the Secretary the question of our attitude on the appointment of some unofficial person, who, as such, would of course, in no way, be able to commit the Government or predict or assure its ultimate stand on the questions involved.

J. THEODORE MARRINER

500.A15a4/8

The British Embassy to the Department of State [91]

Mr. Henderson is greatly disappointed at the unwillingness of the United States Government to allow an American to serve as a Vice President for the forthcoming Disarmament Conference and to take part with his colleagues in the preparatory activities. He fears that without this cooperation it will be impossible to get things moving so as to hold the Conference in the winter of 1931–1932. The great powers of Europe are so deeply and directly concerned in all the most delicate problems that will arise that the appointment of any of their nationals seems impossible; but this difficulty does not apply to the United States and Mr. Henderson had hoped that the services of an American might be secured. The comparative remoteness of America from these problems would also ensure the impartial character of the preparatory work to be accomplished; and it is hardly necessary to emphasize not only that impartiality must be ensured, but also that other powers must have the conviction that it is ensured.

Without preparation the proceedings of the Conference when it meets will be chaotic, and the task of the President and Vice Presidents to be appointed will be that of preparation only. There is no intention that they should over persuade this or that Government on questions of vital policy—nothing but the major forces of world opinion, to the formation of which America contributes so largely, can avail to do this. Their work will be that of making general arrangements for the working of the conference and they will collect and collate the various data. But doubtless in the course of their activities they might try to promote any possible measure of agreement between different Powers, and occasions might arise when,

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[91] Handed to the Chief of the Division of Western European Affairs by the British Ambassador, January 10, 1931.

acting as intermediaries, they might be able to render invaluable services.

They would not act as the representatives of their own governments as such, but rather as outstanding personalities in the world of foreign politics, working disinterestedly in a great cause. In the organization of League Conferences and such like a procedure of this sort has often been adopted. At the same time it would obviously be impossible for the Council of the League to invite the cooperation of a United States Citizen without the acquiescence of his Government.

It is earnestly hoped that in the light of these explanations the Secretary of State may find it possible to reconsider the views previously expressed.

500.A15a4/10 : Telegram

The Secretary of State to the Ambassador in Great Britain (Dawes)[92]

WASHINGTON, January 13, 1931—5 p. m.

11. I have today sent the informal note quoted below to Sir Ronald Lindsay.[93] I should be glad if you found an occasion to discuss the substance of it with the Prime Minister as representing the American views on the cooperation which the British Government is requesting.

"My dear Mr. Ambassador: I fear from the substance of the memorandum which you left with Mr. Marriner on January 10, that Mr. Henderson misunderstands the reason why this Government is unwilling to cooperate in the suggested plan by having an American serve as Vice President for the coming Conference. It is not because we do not realize either the importance of that Conference or the importance of the most careful preparation for it. On the contrary, our objection is that we feel that the Conference is so important and will have such a vital effect upon the future of the world that the suggested arrangement for preparation before it meets is inadequate and will be futile.

We feel that such preparation must be made by direct negotiations between the nations which have something to demand and those which have something to yield in respect to land disarmament. America is not in that position. She has already disarmed and her army is insignificant in size.

We feel in such a situation that if we accepted the main responsibility of preparation it would do harm in two ways; first, it would

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[92] By telegram No. 14, January 16, 5 p. m., the Ambassador was instructed to repeat this telegram to the Minister in Switzerland.

[93] A similar note was handed to the French Ambassador by the Secretary of State on January 19. (500.A15a4/26.)

lull into inaction others whose participation in that work is imperative and, second, it would leave on our shoulders the blame for the ultimate inevitable failure.

The Preparatory Commission has provided at length for setting forth of technical views, and has reached a measure of agreement as to methods, but the basic questions of principle and of the different Powers' interpretation of their commitments for disarmament have not even been touched.

We feel that it will be difficult at best to produce a successful result in the Conference, but it will be wholly impossible unless the representatives of the leading Powers in Europe are willing themselves to meet or arrange a series of conversations beforehand for the purpose of preparation. Thus far there has been no intimation whatever of willingness on the part of France, Italy and Germany, the three Powers most directly interested in land disarmament, to get together and grapple with the fundamental questions which lie at the bottom of such disarmament. This was the course which the British Government and the American Government pursued in the preparation for the London Naval Conference where the issues were much simpler and fewer, and we feel that except for that previous preparation we might easily have failed in the Naval Conference. This kind of preparation cannot be done by third persons, but only by the great Powers themselves as principals, and until we see some expectation of that being done we are unwilling to participate in a preparation which we think will be wholly futile. We feel that the same dangers apply to unofficial representation by this country.

I am [etc.]"

STIMSON

500.A15a4/22

Memorandum by the Assistant Secretary of State (Castle) of a Conversation With the British Ambassador (Lindsay)

[WASHINGTON,] January 15, 1931.

The Ambassador asked me whether I knew of the conversations he had been having with the Secretary on the subject of disarmament and I said that I did. He wanted to discuss that subject. He said that his Government would be very deeply regretful that the United States was not willing to accept the position of one of the vice presidents of the disarmament conference and to take part in the preliminary negotiations. I told the Ambassador that, of course, he must understand and I supposed his Government must understand that this was not true as a general principle, that far from declining to be of any assistance in the preparatory work for the conference, we were only protesting against a method of preparation which seemed to us so inadequate that the Conference might result in futility. The Ambassador said that he understood this himself and sympathized with our point of view, but felt that his Government did not understand it. I told him that General Dawes had talked shortly concern-

ing the matter with the Prime Minister and that Mr. MacDonald had seemed sympathetic to the idea of very careful preparation.

The Ambassador said he wanted to ask one question which he had been instructed by London to ask. He said he did not know whether I would wish to answer. The question was whether our refusal to accept for this country a position of vice president to prepare, with Doctor Beneš and the Danish Foreign Minister, the ground for the conference meant that the United States had changed its point of view on the whole disarmament question and whether it meant that we were no longer planning fully to cooperate as we had in the Preparatory Commission. I told the Ambassador that I was entirely willing to answer this question and that the answer obviously was that we had not changed our position, that it would rather seem that our position was even stronger as to the necessity of real reduction of armament, since we were seeking to find some method of preparation for the conference so thorough that there would be hope of success. The Ambassador said that this assurance would be of some comfort to his Government. He said that he did not quite see how the great nations could get together to discuss preparations for the conference without having really a preliminary conference which would be something like an extension of the work of the Preparatory Commission. I said that a preliminary conference of the great nations would also probably frighten the small nations, that I could not see, however, why there could not be the fullest and frankest of diplomatic exchanges, supplemented by conversations such as the conversations here between the President and Mr. MacDonald. The Ambassador said he doubted whether this would get us anywhere and cited the fact that the extensive conversations the British Government had had with the French and Italians before the Naval Conference had led to no result whatever. I asked him if he thought we should be any more likely to get somewhere in the Disarmament Conference if we did nothing in preparation for it and he had to admit that there would be little hope under these circumstances.

W. R. Castle, Jr.

500.A15a4/21 : Telegram

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

[Paraphrase]

Berne, January 18, 1931—4 p. m.
[Received 11:19 p. m.]

10. I refer to your No. 11 to London, January 13, 5 p. m.[94] An extremely confused situation exists at Geneva. A definite impres-

[94] See footnote 92, p. 481.

sion is held by the British delegation that you dislike both the proposed nomination of officers from small powers and also the nomination of officers by the Council. Telegrams from Lindsay which they have read to me seem to suggest this, at least by implication. They are not sure that the inference they have drawn is correct, since they recognize that you were discussing the question of American participation. However, they want a program that is entirely acceptable to you.

Curtius [95] has urged Henderson that the selection of the officers of the Conference be by direct conversations between the interested powers, and has declared that this is also your view, according to his information from Washington.

The French have telegraphed Claudel [96] to ask you certain questions, as they also wish to have the matter arranged to your liking. They hope to carry out the original program.

Those who want to follow out the original plan feel that the appointment of officers for preliminary work is wholly consistent with your position. This is true, they suggest, because these officers could be definitely instructed to bring about direct conversations between the principal land powers.

I should greatly appreciate replies, for my own guidance, to the following questions:

1. Have you objection to the nomination of the officers of the Conference by the Council?
2. If you have no objections, do you feel that Beneš is suitable as president?
3. Is Curtius correct in his assertion that you share his views?
4. If you have objection to the nomination of officers by the Council would you agree to leaving the choice of officers to the Conference itself and to the Council now naming a "standing committee" to carry out the preparatory work? (In view of the publicity given to Beneš' nomination as president it is possible that he would not agree to act on the committee.)
5. In your opinion would it be advisable for the Council definitely to instruct the standing committee to make every effort to bring about conversations on major problems?

The Council has disarmament on its agenda for the 20th, but there is a strong feeling that this item should be adjourned until your views are clearly known.

There is opposition on the part of Germany and Italy to the appointment of Beneš. Probably this opposition will not be forcefully presented unless opposition to him or to the nomination of officers by

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[95] Julius Curtius, German Minister for Foreign Affairs.
[96] Paul Claudel, French Ambassador in the United States.

the Council generally is expressed by you. Thus your decision on these questions will probably be the deciding factor.

WILSON

500.A15a4/24 : Telegram

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

WASHINGTON, January 19, 1931—5 p. m.

8. Your double priority No. 10, January 18, 4 p. m. You may use the following memorandum and a summary of my note to the British Ambassador in answering the questions contained in your telegram. I have today discussed the matter along these lines with the French Ambassador.

I have taken no position for or against the nomination of any officers of the conference except that in the present situation we do not wish to be represented among such officers. Our reason for this is that we regard all the proposals thus far made for the effective organization of the conference as inadequate to make the conference a success, and we have no interest in the conference unless it can be made a real step in the direction of disarmament. For the reasons which were contained in my message to the British Ambassador we believe that the only way it can be made a success is by prompt, direct conversations between the principal Versailles Treaty Powers whose agreement upon any proposed land disarmament is necessary for its adoption.

In view of the delay and difficulty in achieving agreement upon the much simpler proposition of Franco-Italian naval limitation our stand in this other matter can be readily understood.

We therefore propose to hold ourselves free from commitment in respect to the conference until we ascertain whether this initial, fundamental necessity of direct negotiation between the interested Powers is under way. We do this because we believe that the conference is so vitally important in the cause of world peace that we desire to see it properly founded and on the way to an eventual success.

STIMSON

500.A15a4/27 : Telegram

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

[Paraphrase]

BERNE, January 21, 1931—3 p. m.
[Received January 21—2: 50 p. m.]

11. Your No. 8, January 19, 5 p. m. Disarmament questions had been set for discussion by the Council at its meeting yesterday morn-

ing. Your telegram arrived in time for me to correct the false and conflicting impressions heretofore prevalent as to your attitude. It was decided to confine yesterday's Council session to general speeches accepting the report of the work of the Preparatory Commission. Any decision on the organization of the Disarmament Conference was postponed for a few days in order to permit more mature consideration of future plans.

Everybody to whom I talked recognized that the only way to solve large questions of principle was through the use of direct conversations. Thus I found no opposition to the thought which you so forcibly expressed. The points under discussion were how to instigate these conversations and what means to use to maintain pressure on the parties carrying on negotiations.

The situation seems to be developing in this way: The *rapporteur*, Quiñones de León, plans to urge the selection of officials who will be instructed by the Council to undertake the preparatory work for the Conference, to ascertain possible difficulties, and to recommend direct conversations between Governments when this is advisable for the purpose of overcoming such difficulties. The *rapporteur* also plans to recommend that the Council adopt a resolution urging the immediate acceptance by all Governments of the recommendations relative to direct conversations submitted by these officers.

Owing to the situation outlined above, a longer stay in Geneva on my part would have increased the probability of my becoming too publicly or deeply involved in the negotiations. I have therefore returned to Berne. It is not now known when the Council will take up this matter. I shall be kept closely informed by the Secretariat.

With regard to the persons to be selected as officials of the Conference, the German opposition to the designation at this time of any officers coupled with the Italian opposition to Beneš may lead to the constitution of a "standing committee" with instructions as indicated in paragraph 3 above. This would leave the choosing of officers to a later time, possibly to the Disarmament Conference itself. The British have in mind a compromise plan: The Germans to drop their opposition and be compensated by the naming of Schober of Austria [97] as a vice-president and by the calling of the Conference for November of 1931.

There is as yet no sign of serious opposition to Geneva as the meeting place for the Conference.

WILSON

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[97] Dr. Johann Schober, Vice Chancellor and Minister for Foreign Affairs.

500.A15a4/28 : Telegram

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

[Paraphrase]

LONDON, January 22, 1931—5 p. m.
[Received January 22—4 p. m.]

25. In regard to the matters covered in your informal note to the British Chargé at Washington, I have had a strictly confidential interview with the Prime Minister, following the instructions given in your telegram No. 11 of January 13, 5 p. m. Except as reported in my telegram No. 17 of January 14, 2 p. m.,[98] I had not presented to him before either your letter or its substance.

That a successful result in the Disarmament Conference would be impossible without a thorough preparation by representatives of the European powers similar to that which took place previous to the meeting of the Naval Conference between the United States, Great Britain, and Japan, is agreed to emphatically by Mr. MacDonald. He stated also that no serious disposition to engage in such preparation has been shown so far. Some considerable disinclination to engage in discussions with France and Italy as to the resolving of their unsettled differences left over from the naval negotiations was at first expressed even in his own Foreign Office.

The Prime Minister has seen no indication that France desires to settle these naval differences with Italy, nor is he hopeful that the French attitude at the Disarmament Conference will be constructive. Germany, moreover, he feels will most likely use the Disarmament Conference simply as a means for making a declaration against the Versailles Treaty. He sees no indication at present of a desire on the part of Germany to have the Disarmament Conference succeed. The British Government, he feels, should have taken the same attitude toward the budgetary limitation of armaments as did the United States. He considers, incidentally, that the present British position is a legacy from the former Government and Cecil.[99]

The Prime Minister appreciates having been informed of the contents of your informal note to the British Ambassador at Washington, and when Henderson arrives from Geneva tomorrow he will discuss disarmament matters with him.

It is my opinion, although the suggestion may not be necessary, that this despatch should not be circulated among our diplomatic representatives in view of the extremely frank and confidential statements regarding the apparent attitudes of France and Germany. These

[98] Not printed.
[99] Viscount Cecil of Chelwood, British member of the Preparatory Commission for the Disarmament Conference.

statements should be considered as personal for the information of yourself and the Department, since they are expressions of the Prime Minister before discussion with the Foreign Office and consequently outside the usual diplomatic channels.

DAWES

500.A15a4/30 : Telegram

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

BERNE, January 23, 1931—8 p. m.
[Received January 23—4:45 p. m.]

14. At secret session this afternoon, referred to in my 12, January 23, 11 a. m.,[1] members of the Council decided:

(1) The General Conference shall meet February 2, 1932;
(2) The place shall be Geneva provided adequate facilities are offered as to hotels, meeting places, telegraph lines, et cetera;
(3) The chairman of the Conference to be named at a later sitting of the Council (this means not before May);
(4) The preparatory work for the General Conference to be carried on by the *rapporteur* Quiñones de León and the Secretariat between now and the session of the Council in May.

These decisions are being put in the form of resolutions tonight and it is contemplated they will be submitted to the Council meeting tomorrow morning for formal adoption.

WILSON

500.A15a4/71

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

BERNE, January 24, 1931.
[Received February 5.]

DEAR MR. SECRETARY: The Council finally finished its Disarmament discussion, and I did not telegraph the complete text of the resolution adopted[2] since it was carried by the American press, and since its principal points were covered in my telegram No. 14 of January 23, 8 p. m.

When I left Geneva on Wednesday the 21st the situation seemed to be set for at least a strong recommendation in favor of direct conversations. It appears now that after my departure, Mr. Henderson got it firmly in his mind that in spite of your declaration that you "had taken no position for or against the nomination of officers,"

[1] Not printed.
[2] For full text of the resolution, see League of Nations, *Official Journal*, February 1931, p. 221.

nevertheless your talks with Lindsay had made it plain to him, Henderson, that you did not want the Beneš nomination. There is some reason to suppose that the wish was father to the thought, as it is understood that Mr. Henderson has never been very favorably disposed toward this nomination, although Lord Cecil and Cadogan [3] both were. Whatever the reason that inspired this thought, Mr. Henderson was convinced that with German and Italian opposition and with what he considered American reluctance, the nomination should not be made. It was therefore decided to pass over any nominations at least until the next session of the Council.

Regarding a resolution in favor of direct conversations, the *Rapporteur* originally inserted an article in this sense in his recommendations, but at a meeting held last night among certain members of the Council definite opposition thereto developed. Those who were opposed to its insertion, including Mr. Henderson, pointed out that direct negotiations, unless they were somewhat manipulated by a mediating officer or Power, ran the risk of reaching deadlocks which would bring the Powers to the Conference already persuaded that nothing could be done, whereas, if these situations were brought out in the Conference itself, there would be an overwhelming pressure of public opinion on the Powers concerned to reach an agreement. This opposition to the resolution prevailed and the resolution was not included in the final proposal of the *Rapporteur*.

The protagonists of this opposition do not by any means discard the possibility of direct conversations in certain instances, but feel that those circumstances must be carefully scrutinized by some outsider and carefully prepared so that the risks will not arise of deadlocks between the States in advance of the Conference.

In this I am being the Devil's advocate, as I entirely agree with your contention that without such preliminary direct conversations the Conference holds out no hopes. It may be possible, none the less, to bring about such conversations as a result of the preliminary investigations of the Secretary General and the *Rapporteur* so that the Council in its meeting in May can recommend them for specific cases. But we can hope for little in this direction, I fear, before May at the earliest.

The present intention, as I understand it, of the British Government is to discuss these matters more thoroughly with you and to endeavor to persuade you that the safer method of preparation is the one which the Council is adopting.

I have been informed confidentially of the origin of the suggestion made to you for an American Vice President. It appears that Lord Cecil wrote the instruction under which Sir Ronald Lindsay first

[3] Alexander M. G. Cadogan, counselor in the British Foreign Office.

introduced the subject to you, forwarding it from his country place to London with a strong covering letter urging that it be sent. It was decided to follow his suggestion.

The suggestion for an American Chairman of the Conference brought about little debate in the actual sessions of the Council, even in secret meetings, as the members were already convinced that nothing definite could be accomplished now. The idea, however, gave rise to wide discussion informally and met with a high degree of enthusiasm in many quarters, especially in Germany and among the small neutral states, and there are some indications that it is agreeable to the British. On the other hand, the French press on the whole was not enthusiastic about the idea. One of the Paris papers declared that they feared that an American would be "trop simpliste" in his ideas and consider that the natural solution of the difficulties in land armament lay in equality of force among France, Germany and Italy. It is very possible that the suggestion may be presented and urged at some subsequent occasion, and for this reason I bring the matter to your attention.

I am sending copies of this letter to General Dawes and to Mr. Gibson for their information.

Respectfully yours, HUGH R. WILSON

500.A15a4/59 : Telegram

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

LONDON, February 20, 1931—1 p. m.
[Received February 20—10:35 a. m.]

48. In my conversation with Secretary of State for Foreign Affairs yesterday he desired me to bring the following to your consideration:

The League Council fixed the date of meeting of the Disarmament Conference for February 2, 1932, at Geneva and instructed Secretary General meanwhile to make preparations. The Council decided to postpone to a later session question of appointment of chairman and Henderson stated that first necessary steps had thus been taken and he hoped these were decisions with which no one would disagree. Furthermore, he stated, much work lay ahead.

In what follows I quote in [*from?*] Henderson's memorandum of our conversation made at my request.

"He referred to idea which you broached to British Ambassador in January that only effective means of preparation was consultation between the principal powers. He said that he fully recognized necessity for close cooperation and agreement between those powers which would be essential for success of Conference. In fact his greatest hopes were based on cooperation with United States Government,

who, with His Majesty's Government might exercise decisive influence at Conference. He was anxious to know whether he might expect any suggestions from you as to means of giving effect to your idea and would I know be grateful for any indication of your views on procedure".

Repeated to Brussels.

DAWES

500.A15a4/67 : Telegram

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

WASHINGTON, February 28, 1931—1 p. m.

52. Your 48, February 20, 1 p. m., quoted Mr. Henderson's desire to know whether he might expect any suggestions from the American Government as to the means of giving effect to its idea for direct consultation between the principal Powers. He stated that he would be grateful for any indication of American views on procedure. It seems to me that it is self-evident that the following problems at least would require such direct consultation before a disarmament conference could meet with any prospect of success.

1. Franco-Italian naval problem.
2. Franco-German armament question.
3. The armament situation of the countries bordering on Russia and the possibility of an agreement among them of the levels which they might maintain.
   a. In case Russia should not become a party to ultimate convention.
   b. In case Russia should become a party.

The favorable progress which, I have just learned from the British Ambassador, is being made toward a solution of the first question mentioned above is an earnest of the similar success which might attend the use of such a method for the other problems. In any event I think these problems would be clarified by direct conversations between the Prime Ministers or Foreign Ministers of the Powers directly concerned.

If it would be in any way helpful or would induce an atmosphere favorable to such conversations, I see no reason why the British Government might not invite these officials to London at different periods during the next few months for this purpose in order to avoid having the meetings on the territory of any of the immediately interested parties. If this should not prove convenient to any of the persons involved, some other capital, such as Brussels, The Hague, Vienna, or Copenhagen, might serve. Perhaps, in order to diversify interest, successive conversations of this character might be held in the various

capitals mentioned. Furthermore, it would seem possible for the British Government to approach the different parties concerned and ask them if they would prefer in each case to have some impartial observer present and if the answer were in the affirmative there could certainly be no objection, and on the contrary it might be extremely useful for such a person as Mr. Henderson or Mr. Beneš to serve in this capacity to stimulate an atmosphere of concession and to prevent impasses.

Repeat to Brussels as Dept's No. 11.

STIMSON

500.A15a4/130

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

BERNE, April 17, 1931.
[Received April 29.]

MY DEAR MR. SECRETARY: I have had another talk with Sir Eric Drummond since his return from Paris and London. He is making only a flying visit to Geneva in this instance and is leaving shortly for Rome and Berlin. While nothing very definite developed from our conversation, there were certain points in connection with the General Disarmament Conference of next year which I thought might be of interest.

Drummond feels that the case for Beneš as President of the Conference is so weakened by the resistance encountered in London to this project, that he himself will have to wash his hands of the matter, and the Council will have to proceed to the election without the advice of the Secretariat. Whether or not the Council chooses a President in the May session, Drummond intends to urge the appointment of a Committee of two or three members to aid him in the actual preparations. He feels the responsibility very heavily and points out that only eight months remain between now and the Conference, and that work of a definite nature must be immediately undertaken for the necessary organization.

In the light of Mr. Henderson's attitude during the last Council meeting (in which he seemed to urge your reluctance as a reason for not appointing officers at that time) it is interesting to learn from Sir Eric that Mr. Henderson now takes the position that one of the leading statesmen of the world should occupy the chair. He, Mr. Henderson, apparently attempted to persuade Briand [3a] to accept the candidacy, but Briand entirely refused to do so. Mr. Henderson now feels that the mantle has fallen on his shoulders and will not be averse to accepting this honor if it is offered to him. The apparently pre-

[3a] Aristide Briand, French Minister for Foreign Affairs.

carious situation of the British Cabinet renders this idea of Mr. Henderson's rather interesting, as it raises the question of what would happen if, after the May Council meeting should have selected Mr. Henderson as Chairman, the Cabinet should fall and the new elections should give the majority to an opposition Government. Incidentally, Sir Eric did not raise the question of an American, and I think everybody fully understands our attitude on that subject.

As for the place of the Conference, certainly in Secretariat circles there is every determination that it should be Geneva. One guess is as good as another, but it does seem probable that the opposition of the Secretariat to any other seat of the Conference will be a determining factor.

In this letter I am not entering into certain technical matters relating to Disarmament which will come before the Council, as I have already reported them in the regular way. Unless you see reason to the contrary, I think it would be advisable for me to be in Geneva when these items are scheduled to come up on the agenda of the Council, which will be some time between May 18 and 22, in order that I may follow them closely.

Very respectfully yours, HUGH R. WILSON

Address by President Hoover[4]

MEMBERS OF THE INTERNATIONAL CHAMBER OF COMMERCE: I bid you welcome to the United States. You have come from many lands and at a time of grave responsibilities at home to participate in discussions that will contribute to world advancement. The consideration and discussion of world-wide economic problems and of the economic relations between nations by men who have had to deal with the results of economic forces can be most helpful to world understanding and world cooperation in their solution.

It is needless for me to emphasize the high degree of economic interdependence of the world—we require no more emphatic demonstration than the present world-wide depression. Although the United States enjoys a far greater economic independence than any other large country, yet we have been gravely affected by world forces.

The present depression is comparable in its extreme depth and its extent only to those which have followed about the same distance after the former great wars in modern history. This depression is no doubt contributed to by many very important, immediate, economic causes

[4] Delivered on May 4, 1931, at the opening meeting of the Sixth General Congress of the International Chamber of Commerce; reprinted from Department of State, *Press Releases*, May 9, 1931, p. 375.

to which each of you will give different weight, but I believe you will all agree with me that the destruction of life and property, the great tax burdens, and the social and political instability which resulted from the Great War have had large responsibility in its origins. Over three-quarters of the commercially important population of the world has been in a state of social and political upheaval at some time even during the past three years. Although some secondary part of this political instability may have been the result of immediate economic causes, we can not ignore the malign inheritances from the Great War. These political and social disturbances necessarily undermine that confidence on which economic life, both domestic and international, must thrive.

This is not an occasion for review of the action and interaction of such a multitude of forces, but I do wish to give emphasis to one of these war inheritances in which international cooperation can effect a major accomplishment in reducing the tax burdens of the world, removing a primary cause of unrest and establishing greater confidence for the long future. That is the limitation and reduction of armament. The world expenditure on all arms is now nearly five billions of dollars yearly, an increase of about 70 per cent over that previous to the Great War. We stand to-day with near 5,500,000 men actively under arms and 20,000,000 more in reserves. These vast forces, greatly exceeding those of the pre-war period, still are to be demobilized, even though 12 years have passed since the Armistice was signed, because of fear and of inability of nations to cooperate in mutual reductions. Yet we are all signatories to the Kellogg-Briand Pact,[5] by which we have renounced war as an instrument of national policy and agreed to settle all controversies by pacific means. Surely with this understanding, the self-defense of nations could be assured with proportionately far less military forces than these. This vast armament continued not only a burden upon the economic recuperation of the world, but, of even more consequence, the constant threats and fears which arise from it are a serious contribution to all forms of instability, whether social, political, or economic.

Endeavor as we must in support of every proposal of international economic cooperation that is just to our respective peoples, yet we must recognize that reduction of this gigantic waste of competition in military establishments is in the ultimate of an importance transcendent over all other forms of such economic effort.

International confidence can not be builded upon fear—it must be builded upon good will. The whole history of the world is filled

[5] *Foreign Relations*, 1928, vol. I, p. 153.

with chapter after chapter of the failure to secure peace through either competitive arms or intimidation.

I am not unaware of the difficulties of this question. No one would suggest that either national defense should be abandoned nor that so great a task as reasonable limitation and reduction of arms can be accomplished overnight.

We have made considerable progress in the limitation and reduction of naval arms. We have laid the foundations for still further progress in the future. These agreements have contributed greatly to reduce the burden of taxes and to establish confidence and good will among the nations who have been signatory to them. Within a short time the principal nations of the world will meet to discuss the broad questions of reduction in land armament. The very calling of this conference is in itself not only proof of need but is an emphatic evidence of progress in the world demand for relief and for peace. Of all proposals for the economic rehabilitation of the world, I know of none which compares in necessity or importance with the successful result of that conference. The United States has a less direct interest in land armament reduction than any of the large nations because our forces have been already demobilized and reduced more than all others. We have, however, a vast indirect interest in greater assurance of peace, order, and the increased economic prosperity of other nations. It is within the power of business men of the world to insist that this problem shall be met with sincerity, courage, and constructive action. It is within the power of statesmen to give to the world a great assurance for the future and a great moral victory for humanity.

I wish to you a successful conference. I have confidence that it will be fruitful of progress.

500.A15a4 Personnel/16 : Telegram

The Secretary of State to the British Secretary of State for Foreign Affairs (Henderson)

WASHINGTON, May 21, 1931.

May I express to you the profound pleasure with which I have received the news of your appointment as President of the forthcoming general disarmament conference.[6] In view of your sincere and enthusiastic leadership in the worldwide movement toward an effective limitation and reduction of armaments, I believe that no wiser choice could have been made. Please accept my sincere personal congratulations.

HENRY L. STIMSON

[6] See League of Nations, *Official Journal*, July 1931, pp. 1113 and 1129.

500.A15a4 Personnel/17 : Telegram

The British Secretary of State for Foreign Affairs (Henderson) to the Secretary of State

GENEVA, May 22, 1931.
[Received May 22—4:46 p. m.]

I very greatly appreciate the congratulations you have been good enough to send me on my election as President of the Disarmament Conference. Such encouragement is of particular value to me in the great work which lies before me.

HENDERSON

500.A15a4American Committee Minutes/8

Memorandum by the Assistant Chief of the Division of Western European Affairs (Boal)[1]

WASHINGTON, May 25, 1931.

Admiral Pratt reported on the results of his studies on the size of battleships and caliber of guns that they might carry. He said the General Board were unanimously of the opinion that we must stick to the 35,000-ton battleship and the 16-inch gun. Admiral Pratt said that he differed from the General Board on both of these points, but that he was alone in his opinion. He said that the contention that the 35,000-ton ship would have a greater steaming radius than a 27,500-ton ship, for instance, was not accurate, that the 27,500-ton ship could go as far as the 35,000-ton ship.

The Secretary of the Navy intervened to say that he saw no reason why a 12-inch gun would not do as well for our battleships as a 16-inch gun, if all nations came down to the same caliber.

Admiral Pratt said this was true, especially if our older ships were modernized. He hoped that battleships would be given a 30-year life in the next conference and would be allowed to replace their engines once in the course of this life at the end of the first fifteen years. He felt that our three present 16-inch gun ships must be modernized to meet the *Rodney* and *Nelson*. He felt also that a 27,500-ton ship with a 12-inch gun was relatively more efficient against its own type than the larger size with the bigger guns. He said that he would not be prepared to go lower than 27,500 tons. A 25,000-ton ship would be no good for the purposes of our Navy.

The Secretary said that he agreed that our margin of power on the seas must not be reduced.

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[1] Of a conversation at which the following were present: The Secretary of State, the Secretary of the Navy, Ambassador Gibson, Admiral Pratt, Mr. Marriner, and Mr. Boal.

The Secretary of the Navy said that we are just as well off with 12-inch guns as with 16-inch guns if other nations take the same measures of reduction. Both calibers are equally effective against smaller ships.

Admiral Pratt said that we control our own air, which is a great advantage to our Navy. Our margin of three 8-inch gun cruisers is a very good one for us. Our air force can effectively keep track of and harass 11-inch gun ships and other such types of new construction. Admiral Pratt's one fear is that if the British were to get us to agree to come down to a 27,500-ton battleship, our people would become unwilling to build any more battleships and that would be bad business from the point of view of an efficient Navy.

The Secretary said that he realized that the present battleship holiday must end sooner or later, that Japan and Great Britain are not willing to reduce the number of battleships and if in 1936 the pressure of public sentiment drives for a reduction of gross tonnage, we may have to come to the construction of smaller units than the present 35,000 tons.

The Secretary of the Navy said that he felt our Navy would desire to keep big ships as long as the dominance of the *Rodney* and the *Nelson* lasted. He saw no reason, however, why we should not reduce all ships if the others were willing to do so.

The Secretary pointed out that our Navy would be composed of the newest ships.

The Secretary of the Navy said the *Nelson* and the *Rodney* were the newest battleships afloat.

Admiral Pratt pointed out that these go out of commission at the same time that our 16-inch gun ships go out of commission under the provisions of the Washington Treaty.

The Secretary of the Navy said that he was afraid that we would not be able to get the money from Congress to modernize our 16-inch gun ships. In such circumstances, he feels that the *Rodney* and the *Nelson* will really dominate our battleship class.

The Secretary said that if we consented to the construction of smaller battleships, we should couple this consent with modernization plans for our 16-inch gun ships so that we can manage the *Rodney* and the *Nelson* during the transition period.

The Secretary of the Navy said that the only difficulty in making plans for such concession was that we did not know what Congress would be willing to do.

Mr. Marriner pointed out that if the life of battleships by general consent were extended to thirty years, the question of new construction would only come before a Congress in 1952.

Admiral Pratt said he thought that thirteen battleships of 27,500 tons should be our ultimate and irreducible minimum and that we should have a margin of safety of two, so that we should really expect to have fifteen ships of that size.

The Secretary asked whether we could match the *Rodney* and the *Nelson* if Congress would consent to modernize our 16-inch gun ships.

The Secretary of the Navy said we could.

Mr. Marriner said that modernization could be paid for eventually out of the saving which would arise in the construction of ships of 27,500 tons instead of 35,000 tons.

Admiral Pratt said this saving would amount to nearly $8,000,000 on each ship.

Mr. Gibson asked whether the French would be satisfied to have battleships built approximately 5,000 tons bigger than theirs.

Mr. Marriner said he thought the French would not be disturbed about this.

The Secretary of the Navy said that was true, but if the French had retained their 35,000-ton figure for ships, they would have had far less battleships than they could now have.

Admiral Pratt said that our Navy cannot have less than thirteen battleships.

Mr. Marriner pointed out that if we save $8,000,000 on each of fifteen ships, we would have a saving of $120,000,000.

The Secretary said that if we had fifteen instead of thirteen ships, the upkeep on those two extra ships might wipe out a good deal of that saving.

PIERRE DE L. BOAL

500.A15a4/172½

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

BERNE, May 26, 1931.
[Received June 10.]

DEAR MR. SECRETARY: I sent you only three telegrams during the session of the Council in Geneva, and they were not of high importance, since Disarmament questions were of secondary interest in the anxious endeavors of all concerned to find some remedy for the economic depression.

Gilbert's [8] reports on the events of the Council are comprehensive, but I doubt whether they can reproduce for you the uniqueness and strangeness of this meeting. As you know, the economic positions of the European nations had been static; for four years innumerable attempts at negotiation among the economic experts had failed be-

[8] Prentiss B. Gilbert, Consul at Geneva.

cause of the impossibility of making any impression upon the political positions of the Governments. Suddenly came the threat of the German-Austrian Customs Union [9] and it was as if a solvent had been poured upon a frozen mass. An immediate precipitation brought about for the first time a fluid condition and no one but a prophet can tell what will come out of it. But it does not need a prophet to foresee the possibility of preferential arrangements on cereals which will be repugnant to our most favored nation contentions. For the first time Ministers for Foreign Affairs themselves are discussing economic matters at Geneva. They are embarrassed and nervous and read their speeches instead of speaking extemporaneously. But they are pushed by an excited public opinion which demands that something be done to relieve these conditions. Perhaps the need for economy will push them into real concessions on Disarmament—if so, the cloud of economic depression will have one silver lining.

Except for the British, who are enthusiastic and hopeful for the Disarmament Conference, I could find no one who regarded the prospect with anything but apprehension. They know that it is a dangerous explosive which may go off in anyone's hands; they know that the evasive talk of years in the Preparatory Commission will have to give way to facts and that the facts will be disagreeable; they know that the military clauses of the Versailles Treaty will be put to the test. They are between the hammer of a public demand for reduction and the anvil of a public demand for security. Most of them would willingly postpone the Conference indefinitely, but they know that Germany's case for an immediate discussion is so formidable that no one dares to propose delay.

Mr. Henderson is delighted with his appointment as President. He is busy planning the British Delegation and told an English lady in Geneva that he hoped to have representatives of all parties on it. I told her to tell him that he should select Tories for the British Army and Liberals to represent the Navy. He also plans to have as many great figures present as possible for the opening of the Conference and for the first few days of debate in order to impress public imagination with the seriousness of the endeavor. He is planning to bring Mr. MacDonald and hopes to induce Mussolini and yourself to be present at the opening sessions.

Beyond the matters reported in my telegram No. 57, May 16, 1931, 6 p. m.,[10] little of interest occurred relative to the naval discussions between England, France and Italy. Mr. Briand was at no time in a position to take decisive measures and I am informed that he and Mr. Grandi discussed the matter during the last days of the session

[9] See pp. 565 ff.
[10] *Ante*, p. 417.

and that both were of the opinion that all discussions should be deferred until a new French Cabinet takes office after June 13.

Very respectfully, HUGH R. WILSON

500.A15a4/182

Memorandum by the Secretary of State of a Conversation With the British Ambassador (Lindsay)

[WASHINGTON,] May 28, 1931.

The British Ambassador came in to tell me that he had seen my message to Mr. Henderson and understood I had received a reply of appreciation. The Ambassador said he wanted to tell me that he felt sure that Henderson appreciated it even more than he could express. I told him that, without disparagement of anyone else, I regarded Mr. Henderson as about the most earnest and sincere advocate of disarmament that I met in Europe. The Ambassador said he thought that was so. He said that Henderson had a simple mind but when he took hold of an idea he hung to it with great determination.

I told the Ambassador that I appreciated the difficulties under which Henderson would labor in regard to the Disarmament Conference, and that we sympathized with him because we wanted that Conference to be a success, as I had pointed out to the Ambassador in my letter to him of last winter. The Ambassador mentioned that reports were coming out in Europe to the effect that intimations of a desire for a postponement of the Disarmament Conference were coming from this country. I replied that that was not so; that we wanted the Conference to go on. I told him we recognized the difficulties; that I had pointed out in my letters to him that there were certain European problems which must be settled before the Conference, and that some of the European statesmen are now faced with the difficult dilemma of either solving those problems or asking for an adjournment, but we had not asked for nor suggested an adjournment.

H[ENRY] L. S[TIMSON]

500.A15a4/183

Memorandum by the Secretary of State of a Conversation With the French Ambassador (Claudel)

[WASHINGTON,] May 28, 1931.

During the French Ambassador's call today, he asked about the Disarmament Conference—whether I understood it would still be held in February. I said I had heard nothing to the contrary, and assumed it was still set for that date. He said, speaking personally, he feared they were not ready. I reminded him that my own position

had been stated to him last winter, when I pointed out there were certain European problems of great importance which, in my opinion, must be settled before there was much chance of a successful conference.

The Ambassador said there was one piece of good news—the reappointment of Briand as Foreign Minister. I told him I heartily agreed with that; that he knew my opinion of Briand. I said Briand was the great hope of the advocates of peace in Europe, and I mentioned too that I thought Chancellor Bruening had done a very difficult piece of work in Germany during the past winter in holding his Government and in preventing a financial collapse thus far. The Ambassador agreed and said he thought Bruening was a wonderful man; that he only wished Bruening had not brought forward the Customs Union at the time he had, as it not only interrupted the Franco-Italian negotiations, but was not good for Germany's finances.

H[ENRY] L. S[TIMSON]

462.00R296/4099

The Ambassador in France (Edge) to President Hoover

PARIS, June 9, 1931.

MY DEAR MR. PRESIDENT: I thought you would be interested in a general review of the situation here, as I see it, with particular emphasis on the psychological and political background, covering the period from the delivery of your economic disarmament speech before the International Chamber of Commerce in Washington [11] up to the repercussions following the German-English conferences at Chequers this past weekend.[12]

Assuming the Chequers meeting has been correctly analyzed as an advance notice from Germany for world consumption, particularly in the United States, of more or less concrete demands for reparations revision, it occurs to me that the situation, as it is now developing, furnishes the United States with a splendid opportunity for effective trading.

Of course, as could be expected, France is resisting and undoubtedly will continue to resist any encouragement towards reparation revision whether disarmament is coupled with it or otherwise. In fact, the latter phase will strengthen opposition here. Practically every newspaper and every official in commenting on the situation concludes with a very definite statement or threat that if the United States agrees to any revision, just so much as France loses in the operation must be deducted from payments to us. This, of course, is in no way

[11] *Ante*, p. 493.

[12] The German Chancellor, Heinrich Bruening and the German Minister for Foreign Affairs, Julius Curtius, were in Great Britain June 5–10 and spent the week end with the British Prime Minister at Chequers; see pp. 6–8 and 11–14.

new and, notwithstanding the terms of the debt settlement and our adherence to the principle of divorcing reparations from debts, no government in France could stand twenty-four hours that encouraged any other position. It will be recalled that even Poincaré, in his impassioned and successful appeal for ratification of the debt settlement,[13] agreed that in case of reductions in payments from Germany, settlement with the United States would have to be altered accordingly.

Following your speech already referred to, the feeling over here is rapidly gaining force that the United States would demand real disarmament as the price of any German reparation revision, and the French realize that they will be asked to give up their so-called security. The word Security is the first and last chapter of the constitution of France. It is trotted out to meet every contingency. As you well know, the same security excuse is advanced by the French for the present indefensible inability to reach an agreement of the London naval negotiations.

However, it seems to me that all these circumstances may probably furnish us an opportunity to bring the force of united public opinion to bear on France in such a way that she would have great difficulty in longer withstanding and resisting most of the rest of the world. Is it not worthy of consideration, at the proper time, for the President of the United States, combining all these situations, to say to the world, as we did successfully at the opening of the Washington conference in 1921,[14] that the only way to disarm is to disarm? That if Germany's financial situation warrants a revision, (which, I repeat, we might as well take for granted means an ultimate reduction in the receipts to the United States), our country is prepared to consider it only on the basis, as you so well put it, of international disarmament: this as a frank warning in advance of the League meeting in February, 1932.

It would seem to be essential for the United States ultimately to take some active initiative unless it is to be forced into a purely defensive position, with all of Europe awaiting an opportunity to postpone, if not adjourn indefinitely, the disarmament conference, on the ground that the United States, by refusing to cooperate in the financial and economic readjustment (of Europe), has opened the floodgates to social and political chaos, and thus rendered the consideration of disarmament at this time inopportune, if not impossible.

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[13] For text of agreement of April 29, 1926, see *Combined Annual Reports of the World War Foreign Debt Commission, 1922–1926* (Washington, Government Printing Office, 1927), p. 257. France ratified the agreement on July 27, 1929.

[14] For correspondence concerning the Conference on the Limitation of Armament, Washington, November 12, 1921–February 6, 1922, see *Foreign Relations*, 1922, vol. I, pp. 1 ff.

Moderate commentators here point out that there is on one hand the nationalist campaign for the postponement of the General Disarmament Conference (which is becoming day by day more noisy and bellicose), and on the other what might be called Governmental laconicism, which inclines to the view that the parley is a necessary evil which must be gone through with unless some convenient excuse can be discovered in time to obviate it. The pretext that the United States, by refusing to cooperate in the general economic rehabilitation of Europe, had given a deathblow to disarmament, might conceivably be resorted to; to head off any such development, it may be essential for the United States to come forward with some material proposal. At least the burden of proof would then be shifted to Europe, away from the United States.

The nationalist campaign looking to the postponement of the disarmament parley has not as yet got into its full stride. The move to shift the responsibility for the solution of the debt-reparations riddle has not as yet been made. Europe is trembling on the brink of a financial precipice. The various schemes for the generalization of economic cooperation have failed miserably. There is a lamentable lack of leadership. Any positive word which would offer a clue to the solution of the present imbroglio would be immediately seized upon and eagerly devoured by opinion everywhere. Refractory obstructionists would to an extent be left floundering.

Practical disarmament must be analyzed in advance to consist of several definite objectives and understandings. First, a year or more of complete holiday from naval construction, we of course joining with all other nations; second, a 25% or greater reduction in the budgets for army and national defense from every country; third, a moratorium, as well as a possible revision of German reparations. Of course, it should be made clear that the United States would have great difficulty in having its people or Congress accept any debt reduction. In fact, Europe knows that and realizes the United States is at present determined to collect these debts. Therefore, it could be well said, and without successful challenge, that the United States Government could not sell this reduction to the people of the United States unless there were substantial and unusual concessions in return.

It seems to me that such a pronouncement from the United States carefully worked out—and you will of course understand that I am only generalizing—would place the rest of the nations of the world for once on the defensive. It would be their next move. They would be faced with the alternative of meeting the United States half way, or admitting their insincerity on the question of limitation of armaments. It would reveal to the world America's willingness to sacrifice and charge off legitimate credits only if other nations would join in this

mutual effort toward economic recovery. France would be in an untenable position if she still shouted security, because it is obvious that under such an arrangement her relative proportion of defenses, both land and sea, would be precisely the same as now and, in the meantime, her taxation burden greatly reduced.

Opinion here seems to be hesitating whether to embark upon another "Uncle Shylock" campaign on the ground that American policy is exclusively negative and consists largely in saying "No" to every request for cooperation. If we can show that we value disarmament as a productive factor in international relations, we will have done much to forestall the outbreak. Without aligning ourselves with any one of the European combinations, we will have contributed a positive proposal which will have to be acted upon, or the recalcitrant powers will be exposed to the charge of obstructionism which they now hurl so glibly at us.

I thought it might be helpful to give you this general review at this time as I assume it will reach you before Mr. Stimson leaves for Europe. It is my conviction that France will continue to throw monkey wrenches in the gear box until she is forced by some such colossal and general pressure that even she would find difficulty in resisting. My year and a half here, while most interesting and agreeable, has convinced me that the average French statesman, while full of compliments and platitudes, is never prepared to sign on the dotted line. As this is demonstrated by the present London conference negotiations which have extended over a year, so it has been with double taxation, commercial and other issues which I have personally had up from time to time. Whenever we reach the point of believing that we are near agreement, France finds something new to introduce into the negotiations. I think history records that it has always been so and, I repeat, we can only do business with them either by giving them much more than they give in return or by rushing them off their feet as Secretary Hughes did with his opening speech at the Washington disarmament conference to which I have already referred.

A splendid illustration of France's bargaining policy is their attitude at this very moment with Austria. It is generally understood that France has refused and is refusing to participate in the financial rehabilitation of Austria, accentuated by the crash of the Kreditanstalt in Vienna, unless Austria flatly renounces the economic protocol with Germany. It might be helpful to give France a little of her own medicine: in other words, when we are among the Romans we must do as the Romans do, and it appeals to me that the type of pressure generally reviewed herein is in every way warranted and, if successfully developed, would be in the end the best thing that could ever

happen to France. Nevertheless, I am convinced they must be forced even to help themselves.

Of course, you know much better than I whether it would be possible, under any circumstances, to develop a debt reduction sentiment at home. This may all be too bold but I am at least submitting it for what it is worth.

With kindest personal regards,

Sincerely, WALTER E. EDGE

500.A15a4/211 : Telegram

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

[Paraphrase]

WASHINGTON, June 10, 1931—5 p. m.

158. Letter of June 3 from Boal to Marriner [15] should reach Paris by Friday.

Figures have been submitted to the League Secretariat showing the position of our armaments, including budgetary figures.[16] These are to be released in Washington and Geneva on June 15. On the 12th advance copies of the release, not to be used until the 15th, will be given to correspondents here.

The only other country that has submitted figures, so far as we know, is Russia. However, we have been informed from Berne that the Russian figures were forwarded in a sealed envelope addressed to the Disarmament Conference. The envelope is not to be opened by the Secretariat. This Russian action has not received any publicity here. Litvinoff's [17] letter of transmittal published by the League states merely that Russia is supplying the necessary information in accordance with the Council's resolution. The *rapporteur* announced, according to the League Information Section's release of May 23, that Russia has requested that the information not be submitted before the Conference assembles. The press does not appear to have taken notice of this.

If any mention is publicly made in Paris of these precautions for secrecy which have been taken by the Russians, please telegraph us immediately, since their action seems to be directly contrasted to ours and might serve to bring into higher relief our desire not to keep from the public any information on armaments.

STIMSON

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[15] Not found in Department files.

[16] Department of State, *Particulars With Regard to the Armaments of the United States* (Washington, Government Printing Office, 1931).

[17] Maxim Litvinoff, Soviet Commissar for Foreign Affairs.

500.A15a4/305

The Chargé in France (Howell) to the Acting Secretary of State

[Extract]

No. 1672 PARIS, July 24, 1931.
[Received August 4.]

SIR: I have the honor to forward for the Department's information and record an original French text and an English text in duplicate of the memorandum on disarmament published by the French Foreign Office on Wednesday, July 22, 1931,[18] in reply to the request of the League of Nations to all Governments for information on the present status of their armed forces.

The document, which has been in preparation since January, was drafted in final form and approved at a meeting of the French Cabinet on July 7. It is of epic length—the French text comprises 22 pages—including three parts (the second, that dealing specifically with military forces being subdivided into four Chapters: Land Forces Stationed in the Home Country; Overseas Army, Navy and Air Forces) and was originally intended for release on Friday, July 17 (See my telegram No. 439 of July 13, 4 p. m.[19]). However, according to the official explanation, its publication was held up "so as to enable Foreign Minister Arthur Henderson of Great Britain to study the text during his visit to Paris."

Aside from the purely technical aspects the memorandum is most interesting on account of its unmistakable indication that France will refuse to accept any further reduction of her military, naval and air forces unless her security and the *status quo* in Europe are guaranteed. France, it is pointed out, considers that her present armaments are at the lowest point consistent with security and therefore she cannot further reduce unless a system is generally adopted whereby "the necessity of security (is) guaranteed to every state by assistance which would be mutual, effective and prompt." (Part III, sub-section four, last paragraph, line one). This is the keynote of the French document which in Section I bases a detailed argument against such plans of general disarmament as the Soviet or of armament parity as the German on Article 8 of the Covenant of the League of Nations "which clearly lays down the principle that, as regards the reduction and limitation of armaments, there can be no hard and fast rules; the armaments of each state constitute an aggregate which must necessarily be adapted to its own particular case; the notion of diversity governs the work to be undertaken. Any levelling or automatic equalisation of forces is, for this very reason, excluded a priori, for

[18] League of Nations publication C.440.M.187.1931.IX; not reprinted.
[19] Not printed.

equality of armaments as between two states would only be justifiable in the unlikely event of their geographical situation and circumstances being identical."

Security—and the interdependence of the three great categories of armament—of course form a chapter apart in the French armaments brief. Geographical, colonial and other factors are adduced to prove that France "must have at her disposal land forces sufficient to protect her as surely and as promptly as their sea forces protect the Naval Powers." And to cover the land forces she "requires the cooperation of a navy sufficiently powerful to dispense the Government of the Republic from the necessity of maintaining in every part of their Empire forces sufficient to cope alone with domestic disturbances which might conceivably coincide with a foreign aggression." Also air forces!

The memorandum also gives preliminary figures showing how France has reduced its military effectives and armaments during the last 10 years in proportion to the progressive organization of peace through such accords as the Locarno agreements for a *status quo* in Western Europe.[20] Discussing the reductions under the headings of Land Forces, Overseas Army, Naval and Air Forces, the document intimates that should Europe be organized through further international accords modelled on Locarno France would be able to make still further armaments slashes, but clearly not before.

. . . . . .

In conclusion, the French memorandum, considering under what conditions further reductions would be possible, stresses that the reduction of armaments implied confidence and that therefore the General Disarmament Conference would give more attention to the political factors restoring confidence than to any plan for systematic armaments reduction. Among the factors which the memorandum suggests are the organization of mutual assistance along the lines of the proposed Geneva Protocol, the local application of a system "coordinating arbitration, mutual assistance and reduction of armaments", the extension of the scope of the Locarno accords and the assurance of security by multi-power or universal accords.

Although in releasing the memorandum, the Foreign Office Press Section intimated to correspondents that it was to be the signal for a concerted propaganda drive to justify the French position on armaments to be followed shortly by similar documents, to date there has been only a casual sprinkling of articles due undoubtedly to the fact that the average Foreign Editor has been preoccupied with the

[20] For texts of the agreements signed at Locarno, October 16, 1925, see League of Nations Treaty Series, vol. LIV, pp. 289–363.

developments at the London Conference.[21] However, the *Temps* in supporting the memorandum in its edition dated July 23 protested against the tendency in German and American newspapers to compare the French and German armies with a view to bringing about military parity between them and defended France "which has cut its army by 50 per cent" against the charge of imperialism. Similarly Saint-Brice in *Le Journal* by using the "professional soldier" figures contended that the French army had been cut from 400,672 to 163,000 men and therefore could not be accused of inordinate militarism. Both stressed that a mutual security pact must precede further armaments reduction.

Respectfully yours, WILLIAMSON S. HOWELL, JR.

500.A15a4/304½

Memorandum by the Secretary of State of a Conversation With the British Secretary of State for Foreign Affairs (Henderson), London, July 30, 1931, at 12: 15 p. m.[22]

I went to the Foreign Office and had a talk with Mr. Henderson over his plans for the General Disarmament Conference next February. I told him that we expected to be on hand and to help at the Conference, but we did not think that anything definite would be done until after the French elections in May. He agreed. I asked him what his views were. He said he thought the Conference would meet on the 2d of February and that a debate in the nature of what they called in the House of Commons "a second reading debate" would take place and last until Easter. By that he meant a debate in which there were no rules of relevance, but the whole subject could be discussed in all language. Then he thought a commission for each of the three services, land, sea and air, probably would be appointed and several other committees, including a committee on political issues which would especially include security, would be appointed, and that those committees would take up the work of thrashing out and sorting down the possibilities.

I told him that I had heard from the Prime Minister of the preparatory work which they were doing in Britain and I should be very glad if Henderson would give me the details. He told me that a three-party commission had been appointed some three months ago containing Lloyd George, Samuel, Lord Lothian and perhaps others representing the Liberals; Chamberlain, Sir Samuel Hoare, Lord

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[21] The London Conference of Ministers, July 20–23, 1931; see pp. 263–264, 298–313, and 317–321.

[22] Secretary Stimson was in Europe during July and August; for correspondence concerning his visit, see pp. 536 ff.

Inchcape and Captain Eden representing the Conservatives; and the Prime Minister, Henderson, Snowden, Thomas and the heads of the three services, namely, Alexander (sea), Shaw (land) and Amerlie (air) representing the Government. He had brought in the dossier of papers which had been considered by the committee and said that they contained at least three papers by the War Office, 6 by the Admiralty, 11 by the Foreign Office and 5 of criticism by opposition members. These papers stated the positions of the three services. The Foreign Office papers contained a discussion of the various treaties and pacts and a history of the position of the respective British parties, also a documentary history of the disarmament program and of the difficulties and problems which it confronted.

I told him it would be of great help to me if he could let me have some of this information which had thus been collected, excluding, of course, matters which were secret or confidential to the British Government. He told me he would confer with the Prime Minister and he had no doubt he could let me have a good deal. (Note: Later in the evening at dinner he told me he had conferred with the Prime Minister and the latter had assented, and he would send to me at Scotland these papers.)

I told Henderson of the attitude which I had taken with regard to the Disarmament Congress, how I deemed it so important that I was unwilling to let American participation be made a scapegoat for non-preparation by the Europeans. I pointed out that disarmament by us would have no influence on the solution of such European problems as those between France and Germany and France and Italy, et cetera, et cetera, but we would use the full pressure of our moral influence to try to make the Congress a success and would work hard to find any way in which our influence could be exerted. He called my attention to an article by Maginot, the French Minister for War, reported in the London *Times* of July 28, as an instance of the present French attitude. Also of course he referred to the French memorandum of July 22.

500.A15a4/335

The Ambassador in France (Edge) to President Hoover

PARIS, July 30, 1931.

DEAR MR. PRESIDENT: I wrote you on June 9th a general review of the French situation, principally as it related to our interest in armament limitation and reduced budgets, covering the period up to and including the German-English conferences at Chequers. I ventured at that time to suggest the advisability of the United States asserting world leadership in economic rehabilitation, mainly, however, as an

aid to disarmament. Your bold and courageous proposal,[23] coupled with the readiness of the United States to make the greatest sacrifice, effectively terminated the insinuations and criticisms from abroad of American selfishness and lack of vision and immediately put Europe on the defensive. It appears to me that now is the time to strike the next blow by preparing an unanswerable challenge to those who oppose armament reduction.

In this connection, it might be helpful to you to have my reaction as to the present and possible future policy in France following the momentous happenings initiated by your proposal of June 20th, up to and including Secretary Stimson's visit and the close of the London conference.

It matters not whether the year's debt moratorium was or was not designed to be directly related to disarmament: nevertheless, the necessity for reduced budgets in order to help meet the present economic difficulties was naturally emphasized all the more through your action in this regard. Secretary Stimson's visit to Italy before reaching France, and the generally accepted understanding that his discussions with Mussolini and Grandi were mainly on the subject of disarmament, has naturally had its repercussions in France and it may readily be concluded that the recent French Memorandum on disarmament, which had been in preparation since January but was only published on July 22nd last, was put out at this time as a warning to the rest of the world of France's position on this subject. Just as we experienced annoying and sometimes irritating delays in securing France's accord to the debt moratorium,[24] so it is inevitable that France will again be the center of opposition to a successful disarmament conference.

One of the initial troubles we faced in our conversations with the French on the debt postponement was the sensitiveness, always apparent in French officialdom. Being the second largest creditor of Germany, they were considerably peeved because they were not consulted before the pronouncement. Of course, this was not entirely correct but, nevertheless, we were compelled to spend much valuable time endeavoring to dissipate this feeling. I hope there won't be even a partial excuse for a similar attitude in connection with the disarmament conference. Unfortunately, while Secretary Stimson was here, he was necessarily engulfed in the aftermath of German financial difficulties so that all his time, as you well know, was in consultation with officials on that subject. I talked with him as to the possibility of discussing disarmament casually and incidentally but it seemed impossible under the circumstances. (Marriner in-

[23] The moratorium proposal of June 20, 1931; for text, see telegram No. 262, June 20, 8 p. m., to the Ambassador in France, p. 33.

[24] See pp. 42 ff.

forms me the Secretary did, however, have some disarmament conversation with Laval in London and I shall write him to find out how that developed). I feel it is most important, if I can have the benefit of your judgment or the possible program you may have in mind, that I or someone representing you frankly discuss very soon the whole subject and its possibilities with both Laval and Briand. By doing this we shall at least escape any future charge of ignoring them. I do not expect to get far in these advance conversations. I well understand that the French will refer to the various arguments they have presented in the Memorandum. Nevertheless, I feel it is the first step and we shall at least have placed them in a position that they must admit their cooperation has been sought.

I don't know just what your program to bring about reduced armaments will be, although from a word or two with the Secretary in the short time we had to discuss this subject, I gathered the impression that the proposal would be in the nature of a naval holiday for perhaps two years. Whether to this would be added, in order to reach land and air defenses, a reduction of, say, 25% from the totals heretofore appropriated for national defense, or would touch the debt situation, I am likewise uninformed. I mentioned all these possibilities in my letter of June 9th as the basis of a method that I thought might be effectively used in France. It is obvious that at the end of the period of suspension France would have relatively the same strength in comparison with other countries as she has today: that there would be no excuse for France to discuss parity and it would seem that it might be somewhat embarassing for her to refuse to join with other nations in the world where her much discussed security remains relatively unchanged. As to naval reduction, there would, of course, arise technical questions and comparisons of obsolete tonnage but that doesn't alter the principle of the proposal.

I am convinced from my year and a half's contact with French officials that we shall not finally get an agreement with them unless they have the acquiescence of public opinion, and in this objective we should try at least to first have their cooperation, which is not impossible. The French are among the most heavily taxed people in the world (although many of them evade their taxes), and any movement to decrease the budget, still retaining relative security, will have a certain support in France. It will not be easy because, in addition to technical objections, along will come the old insistence that they need their present fleet for three unprotected coast lines, the Mediterranean, the Atlantic and the Channel, so forth and so on. I am certain that the only way to bring France to any understanding in this regard, if she can be moved at all, is to place her practically alone and on the defensive, that is, if she resists all reasonable efforts to join in initiating a real disarmament policy.

Only in partnership, accompanied by long and tedious conversations, can they possibly be induced to materially amend their position clearly stated in their Memorandum of July 22nd. It must be admitted that the desire for security is not alone a feeler for trading purposes but is a sentiment deeply ingrained in the French people and means to the average Frenchman something tangible: no more invasion; no more devastated regions; no more chateaux burned and life-long collections destroyed; no more farms and *basse cours* razed. If the average Frenchman is determined about anything, it is that the experience of 1914–1918 shall not be repeated. He wishes his protection to be derived from actual and potential military strength and he is determined to become involved in no international bargain which will in any way imperil his material defenses. Therefore, to make real progress with the French in the disarmament field, a modification of French policy must be brought about through a change in the popular state of mind in France. In carrying this out, it is imperative (1) to allay the suspicion which is always just below the surface that an ambush is being prepared against France, that, in other words, the French Government is being kept in abysmal ignorance of the preparations which are being made for its downfall; (2) to dispel the fear that disarmament is synonymous with the disarmament of France and the rearmament of rival Powers.

To dissipate the feeling that France is not to be admitted to the magic circle of "the disarmers," I repeat it is essential to prepare [for] the General Disarmament Conference in a series of frank interviews with the leaders of the French Government. They must be taken into the confidence of those Governments which are actively seeking disarmament so as to be in a position to meet, and in fact to influence, public opinion which is without any doubt suspicious of the entire disarmament movement. It is only the part of wisdom to proceed on the theory that the French Government leaders, notably Laval and Briand, are disposed within the limits imposed upon them by the French Parliament and public, to further the arms limitation cause. But they must be furnished the ammunition with which to meet the popular attack and the preparation which will enable them to embrace a wider field of concession. Witness the encouraging change in French public opinion regarding Germany after the Brüning-Laval conversations in Paris and the latter's strenuous efforts to retain the negotiations in this city.

I have already referred to recent events when Premier Laval and his associates were forced, despite their willingness to accept your proposal, to bow to the pressure of parliament and public opinion to the extent of bargaining for seventeen days before an agreement could be reached. Much of this was to appease the press and public opinion.

Never for a moment must the French fear of German revenge be dismissed as a "mere smoke screen." Frenchmen, while thoroughly hopeful of preserving the peace, are convinced that peace can be maintained only as a result of large armed forces or political and economic guarantees binding Germany down to a definite policy.

Only time will tell whether France can be talked out of the two types of security she constantly presents: first, the mutual pact of assistance (which should not directly concern the United States since it would probably take the form of a second and more comprehensible Continental Locarno); and, second, the many times suggested anti-aggressor article with which the French have always hoped to complement the Kellogg-Briand pact for the outlawry of war.

I did not intend to go into this lengthy review but when facing a crisis as important to world's peace and prosperity as will be the result of the Geneva conference, it is well to fully appreciate the view of the other fellow and the background supporting it. In no other way can we organize to meet it.

While writing this general letter, I cannot refrain from expressing an opinion which may cover territory outside of my jurisdiction; nevertheless, the view has been developed through experience here. I notice in all the press, and it is generally accepted as correct, that the representatives of some of the Governments, before adjourning in London last week, rather indicated that they regarded a further conference in the autumn upon financial situations and the governmental relations thereto as essential. I would be very much afraid of such an adjourned conference. Through the insistence alone of France and the United States—in this instance we were for once partners—the agenda of the London conference was confined to the immediate financial needs for Germany. It is reasonable to assume that any adjourned conference in the autumn could never be so confined. There are too many other countries (Germany, Great Britain, etc.) interested in revisions of the Versailles Treaty, United States debts, reparations and what not to restrict such deliberations. In fact, in the very nature of things, another conference on this subject would be compelled to enlarge its jurisdiction or there would not be an accepted reason for such a conference. If the situation remains a banking problem, the Committee to be set up by B. I. S.[25] should handle it.

In my judgment, much more can be accomplished through bi-lateral conversations between the countries involved. I have hope that the conversations initiated between Laval and Brüning will finally help to dissipate the unfortunate feeling existing between these two countries. Anyhow, other countries would confuse rather than help in

[25] Bank for International Settlements.

this regard. I am sure the Secretary agrees that Laval is honest and sincere, but at the same time he is a politician and wants to retain power. Nevertheless, his activities with Germany will be along the lines of ameliorating rather than adding to these misunderstandings, so that some benefit must eventually ensue. At any large conference no such opportunity is possible. In fact, in my judgment, most all of the work to be taken up by the disarmament conference at Geneva in February should be done in these quiet conversations about Europe long before anyone goes to Geneva, or I am afraid, with the large gathering that will be convened there, the chance of success will be greatly decreased. The history of most international conferences establishes the fact that great results are not to be expected unless the main outlines of agreement have been settled beforehand.

As you can plainly understand, I have just rambled along with these thoughts, hoping that some of them might serve a useful purpose.

At this time may I also thank you most deeply and sincerely for your kind letter of July 7th written immediately after the signing of the accord in Paris. As I told you over the telephone, the experience of the last month has been the most interesting I have ever engaged in and I feel most appreciative to you that I have had this opportunity.

Sincerely, EDGE

P. S. Just as an indication of the French press point of view and what we must overcome, I am enclosing a copy of yesterday's press summary,[26]—W. E. E.

500.A15a4/321½

Memorandum by the Secretary of State of a Conversation With the British Prime Minister (MacDonald) at Sciberscross Farmhouse, Scotland, August 7, 1931

In the morning Mr. MacDonald and I continued our talk on disarmament.[27] I read him the close of the French memorandum:

"France stands ready to consider all general solutions: universal pledges of mutual assistance, combination of local agreements, constitution of international armed forces, or simultaneous recourse to these several systems. She asks for herself no unilateral guarantee. In contracting defensive agreements over the past ten years, she has assumed, in a spirit of solidarity, and within the scope of Article X of the Covenant, wide responsibilities for the guarantee of international order. But she cannot face alone such a task. Nothing but the cooperation of each and every State in the organization of peace

[26] Not reprinted.
[27] No record of previous conversation found in Department files.

can bring about any real progress towards the limitation and general reduction of armaments.

Conscious of having already accomplished, for their part, since the coming into force of the League Covenant, those reductions of armaments made possible by the improvement of conditions of security in Europe, the Government of the Republic are prepared to extend their unqualified collaboration to any system for the general organization of peace which, involving definite pledges of effective mutual assistance in case of aggression, would enable each State, as soon as the nature and promptness of this assistance has been specified, to determine the further reductions thus rendered possible."

I pointed out that France took her position flatly on a doctrine of cooperation among the Powers for peace guaranteed by military action against an aggressor; that she was also seeking by this to freeze into permanency the extreme oscillation in her favor and against Germany which had resulted from the last war. Her reference to Article X of the Covenant in the above quoted paragraph showed this. In other words, while she was ready to accept cooperation she wanted this cooperation to secure her hegemony as against Germany. I told him that I thought we had noticed in the London Conference and ever since that British public opinion was swinging away from the French method of securing security in this manner. He agreed thoroughly that it was and we discussed what Britain would do in regard to using her Navy against an aggressor. He said that the critical situation would come up in a case where a nation which was in the wrong on a controversy succeeded in jockeying its antagonist, who was in the right, to put itself tactically in wrong by taking the first hostile step. He said that frankly he was sure the British public would not endorse the use of the British Navy against such an aggressor which was really in the right on the main issue. But in a case where an aggressor was wrong Britain would do her part.

I brought up the question of consultative pacts and recalled to him the succession of steps which the American Delegation had taken at the London Conference. He recollected them perfectly. I asked him whether he had any doubt that in a case where the British Navy was called on by the League of Nations to enforce a blockade there would necessarily be a consultation between any British Government and any American Government prior to British action. He said he had not the slightest doubt there would inevitably be such consultation and he did not see how a consultative pact would add anything to security in that case. On my part I said that in the light of what he had said about future British action, that I could not believe that any American Government would seek to use our Navy to enforce an extreme doctrine of neutrality under which American merchants were seeking to trade with an aggressor nation so declared by the League and against whom

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Britain and British public opinion were sanctioning the use of the British Navy.

I asked him the direct question of what he proposed to do in the face of the issue presented by France's insistence upon the Versailles Treaty and Germany's rising opinion against the servitude which that treaty imposed. He said frankly that he thought the treaty must be amended eventually; that Germany in that respect was right, but he said he had already notified Bruening that Britain would not stand for an amendment of that treaty by force. He then pointed out the series of steps which he thought could be taken and which he was already beginning to take.

First, he felt it was most important to free France from her fear of isolation and to get better relations between both Britain and France and Germany and France, and he mentioned as hopeful steps already taken the *rapprochement* between the three countries at the recent Seven-Power Conference in London. Also, in the same way he mentioned the efforts which were being made for Franco-Italian settlement of outstanding troubles.

Then he thought the second step was to get the Versailles Treaty up for discussion. As above stated, he thought any attempt to adjust it by war was equivalent to a blow at the peace of Europe and he had told Germany that Britain would not stand for that. On the other hand he was prepared to say to France that the Versailles Treaty was not to be taken as "eternal gospel" and what he proposed to do was to ask Germany in effect to point out the features in respect to which she believes the Versailles Treaty is "an act of violence".

He recalled the fact that prior to Locarno and as a means of securing French agreement to Locarno, Germany had made a declaration that she would not seek to upset the Alsace-Lorraine settlement or the Rhine settlement. This was the way in which Locarno was brought up, viz. by Germany's formal acceptance of the *status quo* in regard to those great historic issues. But MacDonald said he would not support any French demand for fidelity to the treaty which would require a preliminary declaration by Germany (similar to that made in respect to Locarno) in regard to Poland or the situation in the East. He here told the story of a bishop who had sought to get a pension on his retirement sufficient to nourish in luxury a large family of blackguard sons, and he said that his attitude towards the treaty did not mean that he would support France's demand for the perpetuation of all of the iniquities which were done by her little allies.

In the third place he told me that he was expecting to get this declaration by Germany as to the points in her indictment against the treaty opened and discussed in a friendly manner on these successive visits which were now taking place between Germany and France and Italy.

He himself had proposed Bruening's visits to Paris and Rome for that purpose and he had evidently discussed this program with Bruening in reference to those visits. He told me how the British Foreign Office had opposed the Bruening visit to Chequers and how frightened they had been lest it would make trouble with France, giving me some amusing details of his talks with them. Later in the day he promised to keep me posted as to what came out of these visits and what came out of this program which was the most important part of our discussion.

I then took up with him the British resolution on disarmament passed by the committee on Imperial Defense, and we went over it paragraph by paragraph, he telling me the history of each paragraph, and I jotting down notes in the margin which shows what he said. Before he left the following morning he asked me whether he could communicate to me informally, and not for record on the files of the Department, the future observations which he might have in regard to the estimate by the British Treasury of the situation which will exist at the close of the Hoover moratorium. He said that they had already made up a statement for him but he was not satisfied with it and he had sent it back yesterday, but he is going to let me know later. I told him that I would be glad to receive from him in that personal way any such memoranda and I should be very glad if he would keep me posted in exactly similar fashion of the steps which he was taking in regard to the general situation in Europe which we had discussed as above set forth. He said he would be very glad to do so. I told him that I assumed, of course, I could show these to the President and he said of course he assumed everything he sent me would go to the President, but he only asked that they be not made a part of the regular files of the Department.

500.A15a4/337½

The Chargé in Great Britain (Atherton) to the Secretary of State

LONDON, August 5, 1931.

DEAR MR. SECRETARY: I am informed by Count Bernsdorff that when you were in Berlin Dieckhoff gave you a memorandum on disarmament. It has been discovered that certain figures in Dieckhoff's memorandum were incorrect and accordingly Bernsdorff has asked that I forward you the enclosed corrected copy, with the new figures underlined in red on page 2. Also Bernsdorff asks that you return to me, for delivery to him, the copy of the memorandum which Dieckhoff gave you, for which this is a substitute.

You may notice that sterling exchange broke today. The City rumors are that the Bank of France has stated it cannot do business with the Bank of England while Norman remains its head. There follow, of course, other rumors that Norman's resignation is contemplated, but apparently without foundation.

Sincerely yours, RAY ATHERTON

[Enclosure]

MEMORANDUM ON THE QUESTION OF REPLACING BATTLESHIPS

1) According to Article 190 of the Treaty of Versailles the life of German battleships is 20 years. The 8 battleships (2 of these were reserve ships) which were left us by the Treaty of Versailles and after the negotiations with the Interallied Naval Commission, have reached the following age resp.: one 29 years, three 28 years, one 27 years, one 26 years and two 25 years. Some of the ships are so used up in parts that the safety of the crew would probably be endangered if the ships were still used for many years.

According to the building programme for replacing old ships covering the years until 1936, only 3 "Ersatz" battleships are to be put into service and the building of a fourth battleship is to be begun. According to this plan there would be replaced: the battleship *Preussen* (age 29 years)—(by the battleship *Deutschland*), the battleship *Lothringen* (age 30 years), the battleship *Braunschweig* (age 34 years); the battleship *Elsass* would not be replaced before 1938, at which time this ship will have reached the age of 35 years.

Of the 8 cruisers allowed to Germany (2 of which are reserve cruisers) we have replaced 4 cruisers by new ships. These 4 cruisers had already by far surpassed the age limit of 20 years prescribed by the Treaty of Versailles. A fifth "Ersatz" cruiser *Leipzig*, which is to replace a ship that has surpassed the age limit by 11 years, has been completed and will shortly be put into commission.

2) Our replacement programme is necessarily regulated by the fact that, according to the Treaty of Versailles, our ships had to be delivered to the Allies. At the end of the war we possessed 28 [28] modern capital ships (dreadnoughts and battle cruisers), some of which had only been completed during the war. Apart from this we had 3 [28] modern cruisers. All these ships had to be delivered according to the Treaty of Versailles (articl. 185). We were merely allowed to keep 8 old battleships dating from the pre-dreadnought time, which were launched between 1902 and 1906. Apart from these ships 8 small cruisers were left to us most of which, at the time that the Treaty of

[28] Underlined in red in the original document.

Versailles became valid, had already attained the age limit of 20 years (apart from this all our submarines, 42 modern destroyers and 50 modern torpedo boats were taken from us).

Had we been allowed to keep modern battleships instead of the old ones which can hardly put in sea without endangering the crew, it would have been unnecessary for us to build new ships for a long time. Owing to the fact that they were of high technical standard, we could even have kept in service for a long time the oldest of our capital ships which were put into service in the years 1910 and 1911, in spite of the fact that they had attained the prescribed age limit.

3) The battle cruiser *Deutschland* was launched in May last, and its construction has already been completed: the work on the ships armaments is at present proceeding; it is to be completed in September 1932.

4) The budget for 1931 provides for a first instalment of RM 10.830,000.—for the battle cruiser "B" (Ersatz *Lothringen*). Of this sum the costs of building are 6,1 million marks, the costs of artillery armaments 4,63 million marks, the costs for torpedo armaments a 100 000 marks. The keel of the ship has already been set. The building yard works are proceeding for several months. The amounts provided for by the budget for 1931 have already been completely spent on orders placed with the building yards and the industry.

It is intended to put the ships in commission by the end of 1934.

5) For the battle cruiser "C" the construction of which is provided for in the building programme for the middle of 1932 until the middle of 1936, no budgetary means have been provided for so far. The period for construction of the battle cruiser "D" is to be the middle of 1934 until the middle of 1938. Also for this ship no dispositions have of course been made.

6) The tonnage conceded to Germany under the Treaty of Versailles for battleships (in total 60,000 tons) and for small cruisers (36,000 tons) to which 2 battleships and 2 cruisers without ammunition and crew must be added as reserves, compares with the following French total, taking into account the present strength of the French navy plus ships under construction:

9	battleships with a total tonnage of	194.544
2	aircraft carriers with a total tonnage of	32.046
21	cruisers " " " " "	178.154

Whereas Germany is allowed 24 destroyers and torpedo boats (plus 8 vessels in reserve) France possesses 92 destroyers and torpedo boats and, in addition, at the time being 110 submarines with a tonnage of 97. 111 which are completely forbidden to Germany.

500.A15a4/350

Memorandum by the Acting Secretary of State of a Conversation With President Hoover

[WASHINGTON,] August 28, 1931.

I told the President that there was an increasing number of reports in the press that the disarmament conference scheduled for next February would be postponed. He asked if I thought there was any reason for these reports. I said that there emphatically was; that France had long wanted postponement and that now England might also wish postponement since the British may well feel that they want to devote their entire energies to rehabilitation of the financial system; further, that Mr. Henderson, Chairman of the Conference, was now no longer a cabinet minister [29] but the leader of the party and that he might well hesitate to leave England for as long a time as the conference would take. I told the President that I was likely to be asked by the press as to the attitude of this Government and that I proposed, if he had no objection, to say that we should be exceedingly disappointed at any postponement; that we were prepared to go at the time the conference had been called and that we believed, in this time of World economic depression, a successful conference was unusually important. The President authorized me to make a statement along these lines and agreed also that we should tell Hugh Wilson to take the same line in Geneva. I said that there was only one reason why I hesitated to make a definite statement at this time, which was that I could not know definitely that Mr. Stimson might not have agreed with the British as to the necessity of postponement. Both the President and I felt, however, that this was exceedingly unlikely, since it would be quite contrary to what the Secretary had said in other parts of Europe.

W[ILLIAM] R. C[ASTLE, JR.]

500.A15a4/346: Telegram

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

WASHINGTON, August 28, 1931—4 p. m.

97. There are persistent newspaper reports, especially since the reorganization of the British Government, that the date of the Disarmament Conference will be postponed. In response to a question at the press conference this morning as to whether we had information that any nation would definitely propose postponement I answered in the negative and said that we should be sorry to see the conference post-

[29] On August 25, 1931, Mr. Henderson was succeeded by Lord Reading as Secretary of State for Foreign Affairs.

poned. In answer to a further question as to whether we should actively oppose postponement I said: "I don't know exactly how we could oppose it actively if it is taken up in the Council of the League of Nations, and that is the place where it would probably be discussed. It is certainly true that we should feel very sorry to have it postponed. At this time of economic depression everywhere, it seems to me that the saving that might be accomplished by a successful disarmament conference is even more important than it would be in ordinary times. We should be exceedingly sorry to see it postponed."

[Paraphrase.] The Department desires to be kept closely informed. The statements I made to the representatives of the press accurately indicate the position of our Government. Whenever possible you should make it clear that we deplore any idea of postponing the conference. There is no doubt in my mind that in France there is a strong trend in favor of postponement. Possibly this is true of England also. If the League of Nations should reveal a tendency in favor of postponement, it ought to be made clear to everyone that the move is European in origin and does not accord with the desires of this country. [End paraphrase.]

CASTLE

500.A15a4/374

Memorandum by the Secretary of State of a Conversation With the German Ambassador (Von Prittwitz)

[WASHINGTON,] September 10, 1931.

The German Ambassador and I interchanged reminiscences of our meeting in Berlin. I told him of my great appreciation of my meeting with the members of the German Government, particularly President Hindenburg and Chancellor Bruening.[80]

The Ambassador then brought up the question of the Disarmament Conference and asked whether I had any news of what Mr. Henderson was going to do. I told him that I had not; that I had learned when I was leaving London that Henderson was regarded as technically eligible to remain as President but that it had not yet been decided whether he would remain. I told him that inasmuch as the preparation for the British participation in that conference had been in the hands of a three-party committee representing not only members of the Labor Government but the leaders of the Conservative and Liberal Parties and inasmuch as this committee had reached harmonious views (so I was informed) as to policy, I did not anticipate that the change of Government in Britain would make any change in policy. I said that I had told the same thing to the Italian Ambassador when

[80] See pp. 552–553.

he asked that question. The German Ambassador then expressed the hope that Mr. Henderson might remain, not only because he was so sincerely devoted to disarmament but because he feared that seeking a successor would make a disturbance.

The Ambassador then brought up the Grandi suggestion as to a naval holiday.[31] I told him that this government was sincerely in sympathy with that; that we understood its purpose to be to prevent our meeting in Geneva being interrupted by the noise of hammers in naval dockyards; and that I thought that was a valuable purpose which conduced to the success of the meeting. I said we had not yet the details but we approved of the suggestion; that I had not allowed myself to be quoted on it simply because I did not wish to embarrass Grandi personally.

H[ENRY] L. S[TIMSON]

500.A15a4/364 : Telegram

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

[Paraphrase]

WASHINGTON, September 10, 1931—11 p. m.

102. Reference is to the last paragraph of your 119, September 8, 9 p. m.[31a] At the press conferences today and yesterday I gave a summary of my views on disarmament questions for use as background material only. The following is a summary of my remarks:

America is not directly concerned with the problems which lie before the Disarmament Conference. These problems are principally bilateral ones between various European nations, and enough of these problems can be found to suggest the magnitude of the task which confronts the Conference. It is largely because of these bilateral difficulties that the European states are keeping up their armed strength. It is sure to be up hill work cutting down armaments until these problems are solved or until progress is made toward their solution.

In the preparatory work for the London Naval Conference we were vitally and especially concerned in the principal difficulty in need of solution, that is, the matter of the naval relationship among Great Britain, the United States and Japan. We could not proceed with the Conference until that definite question had been solved in a satisfactory manner. Our relationship to the approaching Disarmament Conference is quite different, for in this case European countries alone are concerned with a number of such vital questions. For in-

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[31] See telegram No. 119, September 8, 9 p. m., from the Minister in Switzerland, p. 440.

[31a] *Ante*, p. 440.

stance, there is a difficulty which must be solved between Italy and France, another between France and Germany, and another between Germany and Poland. Likewise there must be a determination of the relationship of Russia to the rest of Europe. Any solution of these problems which satisfies the powers directly interested will be satisfactory to us. They should be solved by peace, not by war. That is the vital thing so far as we are concerned. It would make no difference in the solution of these particularly European problems if all of the American armed forces were completely dissolved. In preparing for the General Disarmament Conference, therefore, our function must necessarily be to encourage others to come to grips with their own problems just as we did when similar problems were on our doorstep.

We will refrain from expressing opinions on the several problems which the European countries are to decide before the convening of the Disarmament Conference. Such action would tend to involve us in those entanglements from which we have by tradition stood aloof. Nevertheless, we are not able, ostrich-like, to ignore world questions and the effect which our view-point may have upon those questions. We have been privileged to lead in the movement for Disarmament up to this time and we shall continue to exert our full influence toward just and effective disarmament in cooperation with the nations of Europe. This Government is not indifferent to the value of the proposal which Grandi has just made at Geneva and although I have refrained from making any public statement on the matter out of a desire not to embarrass either Signor Grandi or the nations represented at Geneva, I have made it clear to the representatives of the press that I completely favor the purpose of the proposal. We have not yet received the details of the Grandi plan, but we are equally concerned with him in seeing that the powers represented at the Disarmament Conference shall not have their attention distracted or their ears deafened by the noise of hammering on new armament construction. (This last phrase I have used today in conversation with several chiefs of mission who came in to see me).

STIMSON

500.A15a4/377

Memorandum by the Secretary of State of a Conversation With the French Chargé (Henry)

[WASHINGTON,] September 10, 1931.

The French Chargé called to tell me that M. Claudel was absent and would probably return with General Pétain in October. M. Henry said he had been in France when I was there, and we discussed the events of last summer.

I took occasion first of all to tell him of the high opinion I had formed of M. Laval during my meetings with him, telling M. Henry that Laval had been extremely frank and friendly and that my conferences with him had given me a better understanding of Laval's views and much greater hope for the result of the conferences which were now going on between France and Germany. I repeated this at the end of our conversation and begged Henry to express my strong appreciation of these facts in his reports to Laval. He said he would do so.

Henry mentioned the difficulty of public sentiment between France and the United States as shown during this summer in their press. He said that since his return he had been reading the American press clippings and found a great outburst of hostility to France. I told him that this might easily be explained by the fact that the average American saw the outburst of optimism which greeted the first announcement of the Hoover moratorium plan when our markets went up and everybody felt happy and rich; then the same people saw the collapse of this optimism which took place during the delay of the period of negotiations with France and they attributed the collapse of the plan to the French delay. I told him I did not do this myself because I felt that the causes of the crisis were so deep-seated that it probably would have come anyhow but that it was not unnatural to have the contrary conclusion drawn here in America. He said he understood that. I told him that during those negotiations, Mr. Hoover and we in the State Department felt the imperative importance of holding back such an outburst of public resentment here and that I knew the President had done everything in his power to prevent antagonism in our press. I told him that I myself even after I had left America and was on the sea counseled the same attitude in my telegrams and that I knew Mr. Castle in the Department had done the same thing here. He expressed his appreciation of this.

I then told him how I had been rather appalled by the hostile outburst of expression towards us by the French press. Henry said he appreciated that also and the trouble was that the French people were not sufficiently acquainted with foreign affairs. I said that that was probably true of both of our nations.

M. Henry then brought up the disarmament question and said he was troubled because we were so far apart on disarmament. I took occasion to say that I had been encouraged by the steps taken during the summer in the shape of the bilateral meetings between the Ministers of France and Germany and of the other countries. Henry had said that France and America took opposite views, namely, that France held that security must precede disarmament, while we held that disarmament must precede security. I said that this was not exactly the way I looked at it; that I felt there were certain political

questions the settlement of which must precede disarmament; that these questions were all European and that America had no direct interest in the way in which they were settled but it had a vital interest that they should each be settled by peaceful methods and not by war. I illustrated by the question of the boundary between Poland and Germany.[31b] He said he understood perfectly.

M. Henry then proceeded to express the hope that we could express our interest in peace, saying that our influence in Europe was the most important thing. His words were that we held the peace of Europe in our hands. I protested that that was not true although I realized how much moral influence we might have. He said he did not mean that extreme statement, but that our influence was very powerful. I asked him exactly what he thought we could do. He brought up the question of the consultative pact. I then went over that old question, recalling the different steps taken at London and telling him that I had been assured by M. Briand that my attitude was correct and that what France wanted was a security pact from Great Britain and that a purely consultative pact would not satisfy her. I pointed out that at that time in view of the respective demands of France and Great Britain a consultative pact could not be given without [danger of?] misunderstanding that it covered security. I referred to the press suggestion that a consultative pact would be useful in case of the use of the British Navy to support a blockade of the League of Nations in order to prevent a clash with our fleet, and I pointed out that in such a case consultation between the governments of Britain and America would be inevitable even if there was no consultative pact. He agreed. I told him further that it was my own opinion that in such a case there was now no danger that any American government would use the American fleet to support extreme doctrines of neutrality by force against a blockade which had been decreed by the League of Nations against an aggressor nation and which was being supported by the British fleet.

I then repeated my attitude towards the peace suggestion, applying it to the revision of the Versailles Treaty and telling him that we expressed no opinion as to the questions of revision which were being urged by Germany but only that we were deeply interested in having any such revision if it came made by peaceful methods and not by war, and I pointed out the importance of having the revision made promptly while the generation which had suffered by the war in each of the nations was in control of the government and before a new generation, which was ignorant of the ravages of war, had taken over the reins of government.

H[ENRY] L. S[TIMSON]

[31b] See pp. 595 ff.

500.A15a4/410

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

No. 2258 LONDON, September 16, 1931.
[Received September 26.]

SIR: I have the honor to refer to the Department's strictly confidential circular instruction of August 13, 1931 (500.A15a4/326),[32] requesting confidential reports from time to time on any developments of interest relating to the disarmament problem in this country.

Since the date of the Department's instruction a most serious financial crisis has broken upon Great Britain. The Labor Government has been superseded by a so-called "National" Government, formed to deal as swiftly as possible with the emergency and supported by the Conservative and Liberal Parties with but a mere handful of Labor Members of Parliament who remain loyal to Mr. MacDonald. The Ministers of the "National" Government have been drawn chiefly from the Conservative and Liberal Parties. The new "National" Cabinet which decides all questions of high policy is composed of four Laborites, four Conservatives and two Liberals. It includes Prime Minister MacDonald, the erstwhile leader of the Labor Party; Mr. Baldwin, the Conservative leader; and Sir Herbert Samuel, the acting head of the Liberal Party during the absence due to illness of Mr. Lloyd George. Mr. Arthur Henderson, the appointed President of the 1932 Disarmament Conference, has broken with his former chief, Mr. MacDonald, to become the leader of the Labor Party in opposition to the new Government. His place as Foreign Secretary has been taken by the Marquess of Reading, a Liberal, a former Viceroy of India, and former British Ambassador at Washington.

The hard facts responsible for Great Britain's present financial and economic situation and for this almost overnight change of Government to handle it, are the sole preoccupation of all Englishmen today. Normally, the subject of disarmament would receive considerable favorable attention. At the present time, however, the questions dominating all else in this country are the maintenance of stability of sterling; the effect of the National Government's stringent administrative economies and heavy taxation measures, including unemployment benefit (dole) cuts, to balance the Budget; the unfavorable trade balances and the necessity for the imposition of a tariff to remedy them; and the prospect of a general election.

With this background of the confused political situation here, it will be understood why the latest developments in the disarmament question, such as the recent speeches at Geneva of Signor Grandi,

[32] Not printed.

M. Briand and Herr Curtius, have not as yet evoked much comment. Indeed, the times are so pressing that Lord Reading could not attend the recent meeting of the League Assembly at Geneva, and Lord Cecil was left to speak for Great Britain on that occasion.

It goes without saying, however, that the success of the Disarmament Conference next year is of great importance to Great Britain, whichever political party or combination may be in power at that time. While no information is as yet available concerning the principal British delegates to the Disarmament Conference, it is certain that they will be prominent members of whatever Government is in power at that time, some of them undoubtedly of Cabinet rank. The civilian branch of the Government is likely to dominate in appointing and preparing instructions for the British delegation. The continuity of British policy regarding disarmament has been maintained in a measure by the continuance of Lord Cecil as the British spokesman at Geneva. Lord Cecil, whose zeal for the cause is well known, has represented Great Britain in the disarmament discussions there during a Conservative, a Labor and now a "National" Government.

The National Government has announced that it was definitely opposed to any postponement of the date of the Conference, and that it was keeping in close touch with Lord Cecil regarding the resolution submitted to the Assembly by the delegations of Denmark, Norway, the Netherlands, Sweden and Switzerland,[33] following Signor Grandi's speech on September 8,[34] calling upon Governments to abstain, pending the result of the Conference, from any measures leading to an increase in the present level of their armaments. So far as an earnest of British interest in the disarmament problem is concerned, the results of the London Naval Conference and the subsequent Anglo-French-Italian naval negotiations, so patiently conducted under the auspices of the late Labor Government, have been approved by the Conservative and Liberal parties and supported by the country at large.

But it is a conviction common to most Englishmen that Great Britain has now reduced her own armaments to a point beyond which she cannot go unless further disarmament is accompanied by equal and concurrent reduction on the part of other nations. She believes she has already contributed amply to naval reduction. Mr. MacDonald, when Prime Minister of the recent Labor Government, expressed this view with vehemence in the House of Commons, during an important debate on disarmament on June 29, 1931. In subse-

[33] See telegram No. 124, September 11, 11 p. m., from the Minister in Switzerland, p. 444.

[34] See telegram No. 119, September 8, 9 p. m., from the Minister in Switzerland, p. 440.

quent speeches both Mr. Baldwin, the Conservative leader, and Sir Herbert Samuel for the Liberals echoed Mr. MacDonald's sentiments. I venture to call the Department's attention to this debate, particularly to Mr. MacDonald's speech, as an exposition of the British attitude on disarmament, (Embassy's despatch No. 2067 of June 30, 1931).[36]

Apart from concurrent reductions by other nations, the question of cost alone would seem to be the principal factor in forcing Great Britain to make further arms reduction. As pointed out in the Embassy's despatch No. 2229 of September 11[36] on the new Budget, the urgent need for immediate administrative economies has obliged the National Government to include a total reduction, including reductions in pay and pensions already specified, in the Estimates for the Defence Services in 1932 of £8,600,000. When pressed in the House of Commons on September 14 to explain what modifications of the warship building program were intended in view of the present financial situation, Sir Austen Chamberlain, the First Lord of the Admiralty in the National Government, stated that he could not say until the Board of the Admiralty, including himself, had had time to examine "the various methods by which we can contribute to the necessary safety". He continued,

"I can assure the honorable and gallant gentleman that we should be extremely reluctant to interfere with a programme which is well within the terms of the London Naval Treaty[37] and which was fixed by the late Government, and by the right honorable gentleman who preceded me, as the minimum that we ought to undertake in order to be in the position which it was recognized by those with whom we negotiated that we ought to be in at the period when the London Treaty terminated."

Having no Army to speak of, Great Britain has no *quid pro quo* to make towards a solution of the vexed land forces reduction question. A most important interest with her, however, is the matter of air force limitation. The Department will recall that during the large peace meeting held at the Albert Hall last July, Mr. Baldwin, the Conservative leader, stressed the point that air forces were today the most dangerous form of armaments against peace, and that England's former security from attack had disappeared with the modern development of air armaments.

The Department will also remember that it was during the June 29 debate in the House of Commons that both Mr. MacDonald and Mr. Baldwin in their speeches went out of their way to plead that English-

[36] Not printed.
[37] *Foreign Relations*, 1930, vol. I, p. 107.

men should remember French history and endeavor to understand French psychology. Mr. Baldwin stated,

"Let us show France that sympathy that she needs and deserves, and, as the Prime Minister said, try to bring her along with us and to convince her that, difficult as the path to which we are all pledged may be, the difficulties and dangers of any other path are greater still."

This gesture to France is an evidence of the realization here that France, admitted to be the most powerful European nation today, with a financial position as yet unimpaired and with a ring of small European countries to support her, holds the key to a successful Disarmament Conference next year, a key which in other days Great Britain might have held. An interesting point of view is now being expressed in London that during the coming winter France will feel the pinch of world depression through decreasing exports and increasing unemployment. This factor it is argued may tend to bring her to a more conciliatory frame of mind during the Disarmament Conference, provided she is not pin-pricked before that date into a position from which her pride will not permit her to recede. Should the latter happen, it is feared that France might even appeal to her citizens to protect "la patrie" and that the French spring elections might center on armament rather than on more normal local issues.

While Great Britain "lines up" on the side of those countries which regard some measure of arms limitation as one of the principal factors of security, her policy has always been, and will probably continue to be, to bring a change of attitude on the part of those countries, particularly France, which are opposed to further arms reduction without additional security agreements, by patient persuasion rather than by active opposition. To the English mind the question of security is bound up with international political and economic problems, such as economic rivalries, war debts, and other legacies of the war years. Great Britain enthusiastically accepted the President's proposal for a one year moratorium on all war payments, not only for its hoped for effect on the financial crisis in Europe, but for the benefits it would give in establishing that feeling of security which is so essential to a successful Disarmament Conference. Indeed, the reports (chiefly from the *Times* correspondent writing from Washington) of alleged agitation in Washington to replace the one year moratorium by a five year moratorium, are the only reports from abroad which at the moment arouse a deep interest. Such a relief is believed by many here to be inevitable.

Regarding general public interest in disarmament, the Embassy's despatch No. 2104 of July 13, 1931,[38] reported on the July peace

[38] Not printed.

meeting at the Albert Hall. An audience estimated at 10,000 persons crowded into the hall to listen to the speeches of Mr. MacDonald, Mr. Baldwin and Mr. Lloyd George. The meeting was sponsored by over sixty organisations representing the three political parties, the churches and religious bodies, and educational, Red Cross and other movements. The enthusiasm which this meeting evoked last summer would be more evident today if, as I have pointed out in previous paragraphs, the British public did not have so much else to worry about.

There is of course a small explosive group in England, chiefly to be found among the Die-Hard Tories, who remember the days of Britain's might and demand a firm stand against all forms of pacifism (in which category they place disarmament). Mr. Winston Churchill and Lord Lloyd may be mentioned as two of the outstanding members of this group. It was during the June 29 Commons debate on disarmament referred to above that Mr. Churchill voiced his opinion that England had descended into a position of unpreparedness and insecurity such as it had never previously experienced, that Germany and Russia were putting themselves into a position of superior preparation, that the British fleet would soon be inadequate to afford protection against the "rapid and formidable growth of French submarines", and that Great Britain should regain her naval freedom at the earliest moment. Mr. Churchill may be considered the self-appointed spokesman of the "give-no-quarter" fire-eaters. His militant views it is believed are not generally shared either by the leaders of thought in the three political parties or by the English public as a whole. The usual comment on Churchill's theories is that they might have worked in the days of Marlborough, his ancestor, and Wellington, but that they are decidedly out of date in 1931.

In conclusion I venture to point out that if the next general election should return a Conservative Government, British policy in regard to disarmament would probably be in line with the nationalistic tendencies of the other European governments of the Right. On the other hand, a purely Labor Government would presumably lend itself more readily to that international cooperation which might be expected from more liberal governments of the Left. Should, however, as seems most likely now, the present National Government seek reelection from the country, its policy in matters of disarmament would presumably be influenced by considerations of the moment rather than by a definite conviction.

Respectfully yours,

For the Ambassador:
RAY ATHERTON

500.A15a4/421 : Telegram

The Ambassador in France (Edge) to the Secretary of State

[Paraphrase]

PARIS, October 2, 1931—6 p. m.
[Received October 2—4:52 p. m.[39]]

629. I called on Monsieur Briand this afternoon. I had only seen him for a moment since he came back from Geneva, and had not seen him at all since his Berlin visit.[40] In our conversation I said that, in anticipation of the Prime Minister's visit to America,[41] I was anxious to have his views on the means whereby the situation of the world could be improved through the betterment of Franco-American relations. In this regard, Briand informed me that when he was in Geneva he was approached at various times by different delegates who asked him to what extent progress had been made towards a Franco-American understanding before the General Disarmament Conference, as in their opinion this was one of the most important factors. Briand went on to say that whenever the United States and France came to an agreement it resulted immediately in a general relaxation of the tension existing in the world; and as instances of this fact he cited the Kellogg Pact and the Hoover Proposal. In his opinion, consequently, anything that the United States did to diminish the fear that America might assist commercially or financially an aggressive state would serve as a point of departure for a conference on disarmament which would be successful. With regard to the problem of the means whereby such a conference could be made successful, Briand said that it was his belief that at the present time, when the entire world was hard-up, the scheme for a percentage budgetary reduction would certainly win general public support. Monsieur Briand further stated that, in his conversations with Secretary Stimson, the subject of implementing the Pact of Paris had been taken up; and that in his opinion a formula to this end was not impossible to find. For instance, he felt that the Pacific Pact,[42] in the drawing up of which he had played a part at the Washington Conference in 1922, was an example of what could be done; and it was a source of regret to him that this Pact had not been brought into the picture in the course of the negotiations for settling the Chinese-Japanese dispute about Man-

[39] Telegram in two sections.
[40] September 27–29.
[41] Prime Minister Laval was in the United States October 22–26; see vol. II, pp. 237 ff.
[42] Signed at Washington, February 6, 1922, *Foreign Relations*, 1922, vol. I, p. 276.

churia,[43] which the League of Nations had been called on to handle. Briand stated that the French understood perfectly well that America would not enter into any formal alliance and that she would not agree to any plan whereby the decision as to who had violated the Pact or who was the aggressor in any particular case would be submitted to an outside authority. However, it was his opinion that the French would be completely satisfied with an understanding with America to the effect that every case of this sort would be examined and decided through consultation with the other powers when any war started.

Two or three different times Briand took occasion to emphasize the fact that he did not believe that any agreement on this matter or any proposal along these lines should be made known to the world or concluded until the very eve of the conference on disarmament. The French elections are not far off; and it would be a very bad thing to allow an arrangement of this kind to be criticized and attacked over a period of several months prior to the opening of the conference by political groups in opposition. In his opinion, if an agreement along these lines could be made known immediately prior to the opening of the conference, it would result in increasing enormously the moral strength of the conference, and would thereby improve greatly the atmosphere, and make the tasks much easier. It was to be taken for granted that these questions would be taken up in the conversations between President Hoover and Laval in Washington; and he had the highest hopes that these conversations would do a great deal of good, especially as the mere prospect of their being held had been of great assistance to the successful Berlin visit of the Prime Minister and himself.

EDGE

500.A15a4/694

The British Embassy to the Department of State [44]

His Majesty's Government in the United Kingdom consider that the only practical way of discussing naval disarmament generally is to assume that, so far as parties to Part 3 of London Naval Treaty are concerned, the figures to be inserted in the disarmament convention will be in accordance with the limitations already agreed at the Washington and London Naval Conferences and that the consequently resulting convention will be coterminous with the Washington and London Naval treaties.

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[43] See vol. III, pp. 1 ff.

[44] Handed to the Under Secretary of State by the British Ambassador on December 5, 1931.

They would be glad to learn whether this view is shared by United States Government.

500.A15a4/665

Memorandum by the Under Secretary of State (Castle) of a Conversation With the British Ambassador (Lindsay)

[WASHINGTON,] December 17, 1931.

The British Ambassador came in to tell me, on instructions from his Government, that the British Government was strongly opposed to any postponement of the Disarmament Conference and asked whether this also was the American attitude. He said that there had been so much loose talk of postponement that his Government wanted to make quite clear that they did not approve and also they wanted to be sure we agreed. I assured the Ambassador on that point.

He then said that his Government's idea of procedure was that, during the first few days, the various Governments would make clear their various positions on the whole subject of disarmament, choosing these opening sessions to make such propositions as they might wish to make. After this it was the idea of the British Government that the Conference should resolve itself into committees to study the various suggestions made and to try to work out specific plans for submission to the Conference when it should later reassemble as a whole. I said that, so far as I knew, we had supposed some such procedure as he had suggested would take place. I said that the only thing that I had personally against it was that it might be unfortunate to have France, for example, put itself publicly on record at the very beginning against any real reduction. The Ambassador said that this danger was, of course, realized, but that his Government saw no way to avoid these public statements at the beginning.

I asked the Ambassador how long he thought the committees' work would last and he said it very likely would be made to last until after the French elections, since it was perfectly obvious that, prior to these elections, it could hardly be hoped that France would make any real proposition or would be likely to reach any serious compromise with the propositions made by others.

W. R. CASTLE, JR.

500.A15a4/674

Memorandum by the Secretary of State of a Conversation With the French Ambassador (Claudel)

[WASHINGTON,] December 22, 1931.

During the call of the French Ambassador he told me he was instructed by his government to say that France had not consented to

any postponement of the Disarmament Conference, but he said that Great Britain had made a *démarche* in favor of postponement to France, Poland, and Czechoslovakia; that when France refused to consent to a postponement, Lord Tyrrell suggested that there should be a short preliminary discussion in the Conference when it assembled and then afterwards the matters should be turned over to committees. The Ambassador said France had replied no, that she thought the general discussion should be rather long.

He said in the case of Poland, Great Britain had asked three questions:

(1) If all the Powers agreed to a postponement, would Poland agree? To this Poland made the answer yes.
(2) Would Poland be ready to take the initiative in seeking a postponement? To this Poland made the answer no.
(3) Would Poland agree to an adjournment after a short session in order to turn over the discussion to committees? To this Poland had answered that it would seem rather normal after a period spent in general debate to turn over the matter to committees for investigation and discussion.

The Ambassador then asked me whether Great Britain had made any such *démarche* to us. When I said no, he told me he was rather surprised as he thought that she had. I said I was unaware of any.

H[ENRY] L. S[TIMSON]

500.A15a4 Personnel/193 : Telegram

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

WASHINGTON, December 29, 1931—5 p. m.

176. You may inform the Secretary General of the League of Nations that the following delegates and members of the Delegation to the General Disarmament Conference have been appointed:

The Honorable Charles G. Dawes, American Ambassador to Great Britain, *Chairman of the Delegation*;[45]
The Honorable Hugh Gibson, American Ambassador to Belgium;
The Honorable Claude A. Swanson, United States Senator;
The Honorable Norman H. Davis;
Dr. Mary Emma Woolley;
Alternate Delegate: The Honorable Hugh Wilson, American Minister to Switzerland.

[45] On January 19, 1932, President Hoover announced that Ambassador Dawes had accepted the presidency of the newly created Reconstruction Finance Corporation and that, accordingly, Secretary of State Stimson would undertake the chairmanship of the American delegation to the Disarmament Conference (Department of State, *Press Releases*, January 23, 1932, p. 83).

Advisers:

For the State Department:
Mr. Theodore Marriner, Counselor of Embassy;
For the Army:
Brigadier-General George S. Simonds;
For the Navy:
Rear Admiral Arthur J. Hepburn.

Technical Advisers:

For the State Department:
Mr. S. Pinkney Tuck, First Secretary of Embassy;
For the Army:
Lieutenant-Colonel George V. Strong;
Major James B. Ord;
Major James E. Chaney;
For the Navy:
Captain A. H. Van Keuren;
Commander Thomas C. Kinkaid;
Commander Richmond K. Turner.

Secretariat:

Mr. James Clement Dunn, *Secretary;*
Mr. David McK. Key;
Mr. Samuel Reber, Jr.

Press Relations:

Mr. Robert Thompson Pell.

Repeat to Brussels and London.

STIMSON

500.A15a4/695

The Department of State to the British Embassy [46]

The American Government is in agreement with His Majesty's Government that so far as the parties to Part III of the London Naval Treaty are concerned the figures to be inserted in any disarmament convention should be kept within the limitations already agreed to at the Washington and London Naval Conferences. However, it does not seem that the duration of any general convention which may come out of the forthcoming Geneva Conference should be limited to so brief a time as the period up to December 31, 1936. This Government feels that since no treaty could possibly be signed until late in 1932, it could not obtain sufficient ratification to put it into force until late in 1933. This would mean a new general conference of all the nations in 1935, which would prepare the way for the termination of the treaty in 1936.

It seems possible that some provisions should be inserted whereby the High Contracting Parties agree that if there were any changes

[46] Handed to the Counselor of the British Embassy on December 30, 1931.

of naval strength for the representatives of the Washington and London Naval Treaties, resulting from the Conference, provided for in Article 23 of the London Treaty, all High Contracting Parties which had entered naval figures in the proposed treaty for the categories limited by these treaties, should meet in accordance with Article 58 of the Draft Convention to advise as to the revisions that might be necessary. Thus the naval provisions of the forthcoming General Convention would be coterminous for all practical purposes with the London and possibly the Washington Treaty; while on the other hand, should the provisions of either or both of these treaties be continued no changes in the General Disarmament Treaty would be required. Thus it would seem that a greater element of stability could be achieved for the General Disarmament Convention than would be possible should provisions for all armaments terminate in 1936. Meanwhile, the American Government would appreciate receiving more in detail any suggestions of His Britannic Majesty's Government, or any comments on this phase of the subject.

VISIT OF THE SECRETARY OF STATE TO EUROPE[47]

033.1140 Stimson, H.L./3 : Telegram

The Secretary of State to the Ambassador in France (Edge)[48]

[Paraphrase]

WASHINGTON, April 16, 1931—1 p. m.

143. For the personal attention of the Ambassador. I have under consideration a visit to Rome, Berlin, Paris, and London. I should like to get a first-hand impression of the situation in each country as it may affect our future problems, including particularly the Disarmament Conference next year and the economic situation. My chief object, however, is rest and recreation, but I do wish to confer with American representatives in each of the aforementioned places. I should like very much to have your frank comment on the advisability of such a trip so far as your post in France is concerned. I would plan to sail for Naples June 13th[48a] and arrive in Paris soon after the first of July. The plan proposed here should be kept entirely confidential.

STIMSON

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[47] For other documents of interest in this connection, see "Efforts of the United States to prevent financial collapse in Europe," pp. 1 ff. (especially section VI, entitled "Participation of the United States in efforts to halt the withdrawals of short-term credits from Germany," pp. 250 ff.); and "Preparations for the General Disarmament Conference," pp. 471 ff.

[48] Similar telegrams were sent to the Ambassadors in Germany, Great Britain, and Italy (033.1140 Stimson, H. L./2, 4, and 1).

[48a] The sailing date was subsequently postponed until June 27.

033.1140 Stimson, H. L./9

The Ambassador in France (Edge) to the Secretary of State

PARIS, April 18, 1931.

DEAR MR. SECRETARY: I replied to your confidential telegram No. 143 of April 16th, 1 p. m., as follows:

"Am most enthusiastic over the good that could be accomplished through a personal visit to Paris. The compliment would be greatly appreciated by the French people. Its practical and psychological effect should be most helpful in many directions." [49]

I had no hesitation in expressing the above opinion as you yourself well understand that the temperament of the French people is a type that is always impressed by compliment and recognition.

France, as most other European countries, holds the rather clearly defined opinion that the United States demands all the benefits that can be derived through international exchange without assuming many of the direct responsibilities. Of course, we are all prepared to defend our own policy in this respect; nevertheless, evidence of a little fraternal feeling which must follow the visit of the Secretary of State of the United States at least would tend to somewhat relieve the feeling here of our aloofness.

On the other hand, of course, you must be prepared to accept almost any interpretation as to the reason of the visit that may please the admitted vagaries of French newspaper writers. If they see fit to assume that your visit would indicate a more direct interest on the part of the United States in European affairs, you of course will know the reaction at home better than I. I repeat, the effect here should be most helpful.

As you no doubt will know, there is likewise a feeling in France that the United States, once it can get the naval angle of disarmament out of the way, is not particularly interested in the forthcoming general disarmament conference,[50] notwithstanding the Geneva conferees have indicated their desire to pass much of the responsibility to the United States. In my opinion, we might just as well face this situation now as a few months later. I believe a frank talk between you and Briand [51] will at least officially indicate the position of the United States.

If I may introduce a personal note, it would be particularly helpful for Secretary Stimson to make either an official or unofficial visit to France, as sentiment forms a strong part of the French psychology and they all recognize that Colonel Stimson was with them

[49] Telegram No. 172, April 17, noon.
[50] See pp. 471 ff.
[51] Aristide Briand, French Minister for Foreign Affairs.

during the war. The French calendar is still based on events before and after the war.

As to the economic problems existing between France and the United States, as you know, we are primarily concerned because we haven't a commercial treaty and with the discriminatory French policy of double taxation. Additional trouble looms because of the prospects of sectional customs and tariff treaties between various continental countries which are threatened almost daily. As to these economic problems, however, if you come to Paris I shall promise not to overburden you because they can only be met as they come up from time to time and I assume, to a great extent, that is what I was sent over here to cope with.

In your telegram of inquiry you refer to rest and recreation. We'll further promise to give you a chance to practise both in or about Paris.

Sincerely, WALTER E. EDGE

033.1140 Stimson, H. L./142

Memorandum by the Secretary of State of Conversations With the Italian Minister for Foreign Affairs (Grandi), Rome, July 9, 1931, 12 noon and 4 p. m.

Ambassador John W. Garrett took me to Grandi's office, the Ministry of Foreign Affairs, which is in the old Austrian Embassy to the Quirinal, and we were met by Vitetti [52] who took us into Grandi's room. The conference took place, Vitetti acting as interpreter, and the Ambassador sitting in.

I began by telling him of my appreciation of the kindness and courtesies we had been shown. I spoke of my appreciation of the comforts of the voyage on the *Conte Grande*, mentioning specifically the Captain. We talked for about three-quarters of an hour.

I brought up first the debt moratorium.[53] He was very enthusiastic about it and characterized it as a fine gesture of the President taking great courage, and he said he thought it would end the depression and repeated this several times. He expressed regret over the slowing down which had occurred from the French delay, but said he thought that would be obviated now that it was settled. He said Italy was wholeheartedly with us. I described to Grandi the difficulties which the President had encountered in making it and told him why it had been impossible not to give more notice to our brother nations, telling him that the President did not know until Thursday afternoon

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[52] Leonardo Vitetti, head of the Office for the Study of Political Questions in the League of Nations section of the Italian Ministry for Foreign Affairs.

[53] See pp. 1 ff.

whether he would have the assent of Congress and then it began leaking so fast that he had to make his announcement on Saturday evening, earlier than he had expected. Grandi said the very fact that it had been unexpected added to the good effect of the message. I explained to Grandi that our diagnosis of the situation in Europe had been correct, that Germany was living on borrowed money necessarily borrowed on short-terms on account of her lack of credit, and that we found that the situation was made no better by the lack of confidence which made people withdraw their credits from Germany, although our saving banks were full of unused capital. We felt the thing was to restore the confidence and set aside the psychology of fear which was upon everyone and that we felt our act would do that. He very cordially agreed.

I took up the question of disarmament. He expressed his great interest in it and how much Italy was for it and brought up the question of whether the General Disarmament Conference would go on on time. I told him it would be a catastrophe if it did not and explained that I had been quoted as desiring a postponement, but that that was not true. I explained to him in detail exactly what my position had been since last Autumn when I was sounded out by the British and the French as to an American official of the Conference. He had already expressed himself as to the importance of doing what we had learned in the London Conference,[54] namely, of solving the preliminary political problems before the Conference and stated that the London Conference would not have been a success except for the work done between Britain and America. He told me how he himself had tried to get France to solve their problems before the London Conference but had failed.

I told him that I thoroughly agreed with him on that and went on to tell him how I had urged upon Britain and France last Winter the necessity of doing similar work for the General Disarmament Conference. I pointed out that even if America abolished its entire army and navy it would not alter the problems existing between France and Germany and France and Italy, to which he agreed. I told him that I felt we must meet on the day set in February and go on, and we would be there even if we knew that no result could be expected until after the French elections, to which he thoroughly agreed. I asked him the direct question how he felt about postponement and he said he agreed with me that it would be a disaster.

In the course of our talk he said he was coming to see me in the afternoon and asked me when I would be in. I said I would be at his service whenever he wanted me and he then moved forward his ap-

[54] For correspondence concerning the London Naval Conference of 1930, see *Foreign Relations*, 1930, vol. I, pp. 1 ff.

pointment from 5 to 4 o'clock in order to have more time with me and when he came in the afternoon he remained for one and three-quarters of an hour until it was time for me to go and see Mussolini.

In the afternoon conference he brought up the Franco-Italian naval disagreement,[55] which we merely touched on in the morning and I emphasized the importance of getting it settled before the Disarmament Conference. I told him that I thought the success of the Hoover moratorium would make the atmosphere easier for the Franco-Italian naval agreement, to which he agreed. He told me of his disappointment at its failure in March. I told him I thought the British in their disappointment had perhaps lost their temper a little and that it would be easier when they all met again which he said he had noticed himself.

Speaking in the afternoon of the debt moratorium, he told me of his interview with Mr. Garrett in which he brought up the outside question (meaning the Customs Union).[56] He spoke of this rather apologetically, telling me that when he afterwards saw Mussolini and informed him of Hoover's proposal Mussolini was most cordial about the effect of the settlement and the necessity psychologically of an immediate acquiescence of Italy. I told him that we appreciated the difficulties between the European nations politically, but that it was impossible for us to have America go into them and appear to take sides in them, and therefore we felt they must be kept out of the moratorium question altogether except possibly the disarmament problem which affected all nations alike.

I asked him his views about the Customs Union, saying that I hoped to get a more impartial view from Italy than from either France or Germany. He said he appreciated the difficulties of the tariff barriers in Central Europe, but felt that there must be a settlement not between Germany and Austria alone but between all of those countries. He seemed to feel that the Customs Union was more in favor of Germany than Austria or any of the other countries; that this was shown to have been so by the less enthusiastic attitude of those countries towards it. He also indicated that he was afraid of having the pressure of combined Germany and Austria upon his country at Trieste at the head of the Adriatic. I told him that I appreciated all that, but, on the other hand, I could not altogether blame Germany; everybody knew that the tariff situation in Central Europe had been intolerable since the end of the war and yet nobody had done anything. Germany had now acted at a bad time and had by her act evidently

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[55] See pp. 358 ff.

[56] See telegram No. 101, June 22, 5 p. m., from the Ambassador in Italy, p. 219; for correspondence concerning the proposed Austro-German Customs Union, see pp. 565 ff.

prevented an agreement which was being reached on the navies between France and Italy, but that nevertheless I could see their point of view. He agreed that their action at that time had prevented an accord.

I then asked him about Communism in Italy and the effect of the depression on Italy. He told me the trouble was mainly with their agricultural products; that Italy had not suffered as much as the more highly organized countries and only in the more northern part. He said that they had suffered most in their manufacture of fertilizers, that they had saved their automobile industry and their marine industry, as well as their textiles, but their agricultural products had suffered. He said they were not afraid of Russia. Communism was not making any great progress among their laborers, although there was some unrest. We talked of the Russian problem. He told me of a meeting he had had with Litvinoff [57] at Milan, and while the meeting was going on the Chief of Police had come to him and told him that he had had to handcuff some Communists and Grandi had told him to go ahead and treat them as severely as necessary and had told Litvinoff to that effect. I then told him the story of my issuing a passport to a Russian naturalized citizen named [omission] because I rather believed in the different policy of not giving them the advertisement of a grievance. I told him that America's chief defense against Communism was the satisfaction of the American citizens with their own Government and that our American Federation of Labor was our chief barrier against Communism; that every American laborer wanted to be a capitalist.

I asked him what he thought Mussolini would want to hear about when I met him and he said he thought he would like to hear about the debt moratorium. He was very deeply interested in that. He brought up again the Franco-Italian naval conferences and wanted to know whether we had better not take it up before Autumn. I told him we did not like to butt in in a matter between France and Italy and Britain, but that I would tell Briand very vigorously how important I thought it was to settle this before the General Conference. He seemed very much pleased with that.

Our whole interview was most frank and he expressed himself as very appreciative of what I had said about Italy's attitude. I asked him directly whether Italy and France had made any progress on their side political questions. He said no, that prior to the Naval Conference when he brought it up France would not take them up before the Naval Conference was settled and now she seemed to think that Italy, having come on to her side on the Customs Union matter, there was no use of going ahead with these other things. On the other

[57] Maxim Litvinoff, Soviet Commissar for Foreign Affairs.

hand, he himself thought the very fact that Italy had been friendly to France in the Customs Union matter ought to make it more easy for France to come to an agreement on the Navy. He spoke warmly of Briand and said he appreciated it was necessary to support Briand against the French marine. He said the African question could be settled very easily. I asked him what progress they were making in the development of Tripoli and Libya. He said they were making good progress, but it was a big affair and required a lot of money and he thought it would take at least thirty years, as France had spent almost double that time in her development of Africa. He impressed me as having developed in maturity and confidence since I had seen him in London.[58]

033.1140 Stimson, H. L./141

Memorandum by the Secretary of State of a Conversation With the Head of the Italian Government (Mussolini), Rome, July 9, 6 p. m.

Mr. Leonardo Vitetti of the Italian Foreign Office, who had been with Signor Grandi during the afternoon, remained to take me to see Mussolini. We went to his office, which is in the Venezia Palace (the former Embassy of the Austrians to the Vatican; Grandi being in the former Embassy of the Austrians to the Quirinal), a very impressive building. We were taken through a series of rooms until we reached a very large room with Mussolini, sitting behind the desk at the other end. He came and greeted me as I entered the door and walked back with me to two chairs standing opposite each other to the nearer side of his desk. Vitetti remained standing throughout the interview ready to act as interpreter.

Mussolini asked me about my arrival in Italy and I expressed my appreciation of the care and kindness which had surrounded our party since we had reached Italy and told him that the ride over from Naples to Rome was one of the most comfortable and pleasant that I had ever taken. He asked how long it had taken. I told him about the visit to the battlefield at Volturno, about which he did not seem to be as much interested as I expected. I told him that I had been spending much of the day with his Foreign Minister Grandi and remarked that Grandi had said he, Mussolini, would be interested in the debt moratorium. I spoke of that.

I told him that I felt that an event had occurred since I had planned to come which made my trip more interesting and that was the debt moratorium, the proposal of Mr. Hoover. He said, "Yes, that would

[58] At the Naval Conference of 1930.

do good, but it would have been better if there had not been any delay." I told him that I thought the effect of the French delay had been obviated by the fact that we were now agreed. He did not expatiate on it. I told him that we in America had felt that the depression was accentuated by lack of confidence and that the reaction to the President's message indicated that we were right. He asked me whether I thought that the depression was passing over. I said I disliked to prophesy, but we felt there were indications that the bottom had been reached and that we were on the up-grade, but I said I thought it would be a long pull.

He asked me about my trip and its purpose. He asked me whether I was going to the London Conference.[59] I said I was not going to the Conference of Experts,[60] but my trip was unofficial, at which he raised his eyebrows; that I had come over to see my friends, Mr. Grandi, Mr. Briand and Mr. MacDonald and Mr. Henderson,[61] and that I expected to make the acquaintance of a new friend, Mr. Bruening.[62] He asked me if I had ever met Bruening and I said no. He then brought up the subject of the disarmament conference, and asked me whether we were in favor of it. I said very emphatically that we were, and were in favor of holding it without postponement; that we felt it would be a disaster to postpone it. He assented and said emphatically that everybody knew where Italy stood; she was for disarmament. I pointed out that even if America abolished its entire army and navy it would not alter the problems existing between France and Germany, and France and Italy, to which he agreed, and I said that therefore there must be preliminary work in Europe on their political questions.

I said that in America we felt that the coming year was likely to be a very critical one in respect to disarmament; that the world must choose whether it is going to try the new methods which we hoped would lead towards peace or whether it would drift into the old cycle of competition and war. He signified his assent to this and said emphatically that Italy stood for disarmament and peace, and I noted that afterwards when he saw the press after my departure he emphasized this part of our interview.

Mussolini then signalled to Vitetti, who called in the photographers who took photographs of us as we talked and then I withdrew and Vitetti showed me the rest of the Palace which was very impressive.

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[59] The Seven-Power Conference of Ministers, July 20–23, on the financial and economic crisis in Germany; see pp. 263–264, 298–313, and 317–321.

[60] Held in London July 17–August 11; see pp. 164 ff.

[61] J. Ramsay MacDonald, British Prime Minister, and Arthur Henderson, British Secretary of State for Foreign Affairs.

[62] Heinrich Bruening, Chancellor of the German Reich.

500.A15 Naval Holiday/16

Memorandum by the Secretary of State of Conversations With the Italian Minister for Foreign Affairs (Grandi), Rome, July 9, 11, and 12, and With the Head of the Italian Government (Mussolini), Rome, July 12, 1931

Thursday evening, July 9, at the dinner at the Embassy Grandi suggested to me at the table where we sat in adjacent seats that a naval holiday [63] be taken by all the great naval nations as an appropriate accompaniment of the Hoover moratorium. I said I thought that it would be a very graceful and appropriate gesture, but did not say anything further. On Saturday evening, July 11, at the Castle at Nettuno, where Grandi spent the night with our party, he and I sat talking after dinner for a long time. The question of Germany's conduct at the present time in relation to disarmament came up. Grandi said that France accused Germany of not having disarmed. I said, "Do you agree to that?" He said, "No, she has disarmed," and he told me the matter had been taken up by the recent meeting of the Council of Ambassadors who had investigated the matter and although France made a finding to the effect that she had not disarmed, the others refused to support her and an equivocal or negative finding was made. I told Grandi that I thought Germany's insistence on building the *Deutschland* was a piece of folly; that she would have a much stronger case before the General Disarmament Congress if she went before them frankly disarmed and depended on their good faith as her protection. He agreed with me and said that in his opinion she had a perfectly good case for holding the other nations to a reduction in arms, in view of her own helpless position.

In discussing the attitude of France, Grandi twice said that Italy would not stand for French hegemony in Europe, but that the Italian policy would be for a balance of power in which they stood side by side with Britain. When he repeated this the second time, which was during the following evening, Sunday, July 12, I warned him that they should nevertheless be careful that their theory of the balance of power did not lead to another alignment of two groups of nations like the old triple alliance and triple entente, for that would be the surest way of bringing about competition and ultimate war. He asked me for my views. I told him I had not thought out any remedy with which I was satisfied, that I thought the League of Nations had furnished some very useful machinery to the nations of Europe in their relations towards each other of which the two chief instruments were, first, the constant regular meetings

[63] See pp. 440 ff.

two or three times a year between the foreign ministers of the different countries, at which they ironed out difficulties and potential sources of trouble, and, second, the ability in case of an emergency to call the Council together for discussion. I told him of Sir Edward Grey's [64] alleged statement that if he had had available in 1914 machinery by which he could have compelled a conference of the European Powers during the twelve days preceding the war he could have prevented the war.

I told Grandi that the League of Nations furnished a really long step forward in diplomatic relations in respect to European affairs and I spoke of Mr. Root's [65] attitude towards it. I told him that my experience had rather convinced me that the best possible thing for the United States was [to remain?] outside of the League and that we would lose our influence and moral power if we were put in a position where we had to discuss on equal terms with the other nations the routine problems and squabbles of Europe. We were not fitted for that and we would never do it well. I said that I thought our real role was to throw our influence to help in major emergencies, such as the present one, and that we were in a better position to do that when we were aloof from the routine one.

I asked Grandi his views of the different French statesmen who would be likely to succeed Briand. He said that Boncour and Herriot were the two most nearly in line with him and spoke rather well of Boncour. Flandin, the Minister of Finance, he described as an able man, but a follower of Tardieu and opposed to Briand.

With respect to Yugoslavia, he said he rather reserved his troubles with Yugoslavia for another time because he did not want to bother me about it. I asked him whether France was really furnishing Yugoslavia with a navy and he told me no, he did not think she was, but he said that Yugoslavia was rather hard to deal with and that since France had begun to arm, the land forces of Yugoslavia were being armed.

I talked with him about Albania and King Zog, and he told me of the arrangement they had made to pay money, about $2,000,000 a year, to Albania. Garrett afterwards told me that this was recognized as giving Italy virtually a mortgage over Albania. (Note: I talked with our Military Attaché, Colonel Collins, and he told me that he was in Vienna when King Zog was shot at by the assassins and gave me the details of that and how he, Collins, had furnished the first information of it to Albania.) Grandi said that his relations with the Labour Government of England was one of his bright

[64] British Secretary of State for Foreign Affairs in 1914.
[65] Elihu Root, Secretary of State, 1905–1909.

spots; that he had been able to be on better relations with them than with any preceding Government and he said that Henderson got on very well with Mussolini.

We several times talked of the Franco-Italian naval break last March. He did not care to go into details about it. Grandi, however, feels that an agreement was made on the first of March [66] and he is ready to take the matter up again whenever France makes the move. He thinks it is up to her to do it. I said I would try to start things up with both Briand and Henderson as I moved on. We both agreed that it was imperative that a solution of that naval problem should be arrived at before the opening of the disarmament conference and Grandi is anxious that it be taken up this summer.

On Sunday evening, July 12, among other things, we had a long talk over the present constitution of Italy and the Fascist program. Grandi frankly recognizes that the present Fascist regime is transitory, is not a permanent solution. He, however, thinks that it is perfectly safe in the saddle and cannot be overthrown by its enemies. He described to me the evolution that they were trying to work out the formation of the eleven corporations of industries and the enrollment of all citizens therein and how it was intended to work out. I learned incidentally that the Italian citizen votes only for his deputy and the member of his local board. The Governors of all provinces are at present appointive; also the mayors of the cities. After a choice of mayors by popular election had been tried, it was abandoned.

In the evening of Sunday, July 12, I told Grandi of the receipt of a cable from the President asking me to sound out the different nations on the subject of a two years' naval holiday in laying down ships, making it clear that it did not cover completion of ships under construction and the reasons probably why. I asked him if he saw any objection to my going ahead and sounding out other nations and he said no, and he would stand by without doing anything until he heard from me. I told him that we were not seeking to take the lead in this matter, but took the position that we would or would not lead according as it would seem to be likely to produce the best results. I told him frankly that the suggestion had come from him and that if it would seem likely to carry, the suggestion had probably better come from Europe, but that we, as I expressed it, would try to be good soldiers in a common cause and would work it out in a way most likely to be successful. He said that Italy would take the same position.

In the afternoon of Sunday, July 12, while we were in Nettuno Castle, Mussolini appeared alone except for a mechanic in a motor speed boat and invited Mrs. Stimson and myself to go out for a run

[66] *Ante*, p. 380.

with him. While I was sitting alone with him in the boat waiting for Mrs. Stimson, I told him that a few days ago Grandi had suggested to me the naval holiday; that I had reported it to Washington and we thought it would be a good thing to do and that I was going to sound out the countries in respect to it in case he saw no objections to such a proposal. I explained to him that we thought the suggestion should be for a naval holiday of two years and might possibly be extended to some forms of land armaments, and I asked him his views on it. He said he agreed perfectly with the suggestion and he thought it would be a good thing for me to go ahead and sound it out. When Grandi came back in the evening I told him I had had this talk with Mussolini.

033.1140 Stimson, H. L./125½

Memorandum by the Secretary of State of a Conversation With the German Chancellor (Bruening), London, July 23, 1931

At 8:30 Mr. Mellon [67] and I dined with Chancellor Bruening and Dr. Julius Curtius, German Minister for Foreign Affairs, and their staff at the Carlton Hotel.[68] I sat next to Bruening and had a most interesting talk with him at the table and afterwards. We did not talk about the financial questions which we had been engaged on in the conference, but began with our experiences in the war. We got over to the general situation in Europe and our respective attitudes towards militarism and disarmament. I found he had been a machine gunner in one of those German divisions which happened to be at Cambrai in December 1917 when the 51st and 64th British Divisions broke through with that surprise counter attack. Bruening himself had been stationed in the fighting at Bourlon Woods. When I told him that I had been stationed with the 51st British Division at that same place right after the attack and had for some time spent my days in the battle area along the Bourlon–Cambrai road, he was much interested. We agreed it was a very unhealthy road. The Germans held one end of it and the English the other. To travel along it, it was not free from incident. He said he knew it well.

We agreed we must find some other better way of solving international questions in the future. He told me that I would find President von Hindenburg held the same views he did and was equally interested in finding some way to avoid war. When I expressed my surprise he said that was really the attitude of the old Prussian officers. He expressed it by saying, "You know where you are at the beginning of a war, but you don't know where you will be at the end of a war."

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[67] Andrew W. Mellon, Secretary of the Treasury.

[68] Bruening and Curtius were in London attending the Seven-Power Conference of Ministers, held July 20–23; Pierre Laval, President of the Council of Ministers of France, was also in London attending the Conference.

I told him of my long-matured views about the fatal influence on a nation that allowed its civil authorities to become subservient to the military illustrating it by contrasting between the attitude of the Prussian people towards Bismarck in 1864 and the English people towards Charles I in 1640. I told him that I was watching closely to see whether there was any danger of France or Germany now drifting into the area [*error*] which Germany had drifted into before the war. While he did not assent to all I said with regard to Germany he assented to a good deal and he evidently was much impressed by my views. He differentiated sharply between the older Moltke, whom he thought was not a provocative militarist and some of the younger German staff officers like von Falkenhayn and, I think, the younger Moltke, who had come up since. He told me of his present Chief of Staff,[69] whom he thought was sound and pacific in these matters and how he was trying to make an appointment for him to meet Weygand [70] of the French Army, but had been blocked thus far by France's refusal. He thought it was all most important to have them meet in order to disarm mutual suspicion.

We talked about the coming General Disarmament Conference. He said that the impartial moral influence of America was absolutely essential to that conference. I told him that we thought that conference was the most important of the coming year and I told him of my efforts since last December to get the different nations involved to make the necessary preliminary preparation pointing out that practically all of these intervening problems were European and that we could not take a hand in them except to use moral pressure. I told him we would be at the conference and would do our best to help.

I told Bruening that in view of the statement of the Allies and the United States to Germany in 1919 in respect to signing the Versailles Treaty as a step towards general disarmament,[71] Germany had an absolutely unimpeachable case before the moral opinion of the world unless she destroyed it by some folly in the building of pocket battleships, which would lead the force of world public opinion off on a red herring trail; that her defenselessness was the best protection in my opinion and would sooner or later force the countries to reason.

Before I went to the dinner someone brought me a fool story from the Associated Press to the effect that Bruening was going to put up to me after dinner the proposition for a loan. Of course nothing like that took place.

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[69] General von Hammerstein.

[70] General Maxime Weygand, Inspector-General of the French Army.

[71] See *Foreign Relations*, 1919, Paris Peace Conference, vol. VI, pp. 926, 954-955; see also Versailles Treaty, introductory statement of part V, *Treaties, Conventions, etc.*, 1910–1923, vol. III, pp. 3329, 3398.

462.00R296/4700 : Telegram

The Chargé in Great Britain (Atherton) to the Acting Secretary of State

[Paraphrase]

LONDON, July 24, 1931—2 p. m.
[Received July 24—12:55 p. m.[72]]

266. For the President and the Acting Secretary from Stimson. The President's message of congratulation pleases me very much.[73] It would have been quite impossible for Mr. Mellon and myself to have weathered the emergency in which we found ourselves so suddenly placed had it not been for the carefully thought out instructions and advice which we received from Washington.

Although the German situation is very serious and Chancellor Bruening expects further trouble shortly, and although the British also have become pessimistic as a result of withdrawals from the Bank of England, still there is general agreement that our policy of attaining a limited objective was a wise one. The only notable exception to this statement is taken by the London *Times*. Its objection is based upon the impossible assumption that we should have tackled the problems of reparations and debts. It is my own view that the chief value of the Conference will be found in the direction of political improvement in Europe. There has been a genuine change in the relations between the French and German Governments. It has been possible for me to measure it in connection with the French attitude toward the United States. When I arrived at Paris with the question of the London Conference not yet settled, the French attitude toward the United States Government and toward me was so frosty and stiff as to be almost uncomfortable. Gradually Laval's attitude has become more friendly, until this morning I had a conversation with him which was friendly and intimate beyond my most fervent expectations. We discussed the Franco-German situation first of all. I indicated to him how we were following that closely as a measure of the success of the Conference. He then told me of his talks with Bruening. The underlying problem which would solve everything else was the question of the Polish Corridor.[73a] If that could only be solved France would have no other real trouble with Germany. Laval told me of the political difficulties he had faced when the moratorium proposal was first announced. However, he added that the same people who had at first condemned him for yielding to it were now voluntarily coming to congratulate him. The conversation then turned to Italy. Laval

[72] Telegram in four sections.
[73] See telegram No. 234, July 23, 1 p. m., to the Chargé in Great Britain, p. 314.
[73a] See pp. 595 ff.

said that the naval question was nothing at all and that it could and would be settled in a moment. However, Laval wanted to make a general settlement with Mussolini. He and Mussolini had confidentially agreed that they would meet for a general conference during the long vacation. From my recent experience in Italy I was able to give him encouragement as to Mussolini's general attitude toward peace.

Laval then quite voluntarily shifted the conversation to Great Britain. He said that as soon as he had returned to Paris he intended to call in the [directors?] of the Bank of France and urge them and the other large banking institutions as strongly as possible to check their withdrawals of credit from London. He said that he knew perfectly well that unless he did this it would simply mean that the purpose of the London Conference would fail, for the British would otherwise have to withdraw their credits from Germany. When I told him of my appreciation for his remarks, he said that he believed that this was the key to the situation. Our conversation had taken place entirely alone until the French Ambassador, De Fleuriau, arrived. As he is an old friend of mine his entry did not mar the conversations.

Mellon and I dined with Bruening last evening. I had an extended and extremely satisfactory talk with the German Chancellor.[74] We discovered that following the battle of Cambrai during the unsettled days of January, 1918, I was patrolling with the British on one side of the Bourlon Woods while Bruening had been a machine gunner on the other side. With that as a point of departure we plunged into the whole matter of disarmament and the future peace of Europe. I told Bruening all I had against Germany since 1864. He convinced me of his sincerity toward peace. He also told me of his conversation with Laval, so I was able to get that picture from both sides. Bruening said that I would find Hindenburg's attitude toward peace the same as his own.

I am leaving tonight and shall reach Berlin on the afternoon of the 25th. On the morning of the 27th I shall have a conference with Hindenburg and shall return to London that afternoon. Then after a few days of further conferences I am going to Scotland for the rest which the President has so kindly suggested. I wish that the President and the others of you who have been handling these problems from the Washington end could do the same. [Stimson.]

ATHERTON

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[74] See memorandum of conversation, *supra*.

462.00R296/4726b : Telegram

The Acting Secretary of State to the Ambassador in Germany (Sackett)

[Paraphrase]

WASHINGTON, July 24, 1931—1 p. m.

133. For Mr. Stimson.

1. Newspaper reports from Germany and other capitals of the Continent tell us this morning the general story that Germany's needs have not been met, that Germany is still near bankruptcy and that she must have further help or dire things will result. Statements from Bruening are in the same vein. The tendency of all these comments is to undermine still further the confidence of the world in Germany. No nation which claims to be a bankrupt can establish her credit situation. The immediate effect is that it is difficult for us to continue with the banking cooperation. It also makes any extension of further credits absolutely impossible.

2. These things have been accomplished through the assistance of the United States:

(*a*) The relieving of Germany of $400,000,000 in reparations.
(*b*) The maintenance of German private credits amounting to $1,300,000,000.
(*c*) The accomplishment of all this without involving Germany in any political obligations.
(*d*) The provision of machinery which, if the Germans were willing to strengthen their own credit and confidence, might well yield further assistance.

We have done everything we can, but the situation is hopeless unless there is a change in tone out of Germany. Is it possible for you to impress this on the Germans?

3. We are aware that your visit to Germany was unavoidable. However, the opening words of this morning's press summary from Europe are: "The question of further financial aid to Germany from the United States will be taken up by Secretary Stimson during his week-end visit to Berlin, where conversations begun at the dinner party tonight left off, etc." The net result is to link your visit with further aid from the United States. This creates complete uncertainty and is discouraging. It once again takes the responsibility from the bankers and destroys the prestige of the machinery set up by the Bank for International Settlements. It is vital that you announce clearly that your visit to Germany was arranged some 2 months ago and that there will be no discussions of the economic questions which were the subjects of conversation at the London Conference and which will be dealt with solely by the agencies established at that

time. We hope that you will take this position and refuse to discuss any economic matters, for anything you say will find its way to the press. The only result would be to raise expectations in the German people which will never be realized and to destroy the value of the B. I. S. machinery for Germany. It is important that this question be clarified immediately both by you and by us. If you succeed in clarifying the situation we shall make no statement here, otherwise we must do so.[75]

CASTLE

033.1140 Stimson, H. L./135½

Memorandum by the Secretary of State of a Conversation With Members of the German Government at Embassy Dinner, Berlin, July 25, 1931

I sat between Chancellor Heinrich Bruening and Mr. Dietrich, Minister of Finance, and had a very interesting evening. Afterwards when we left the table there gathered completely around me the Minister of War, von Groener, Bruening, Curtius and von Prittwitz, the German Ambassador to the United States, who acted as interpreter. It gave me a chance to talk plain words on the subject of militarism and tell them my personal family's history as to German militarism, giving them not only the theoretical view with which I have placed German responsibility for the war, but telling them of my own father's experiences in Berlin in 1872 when the arrogance of the Prussian officer class caused him to make up his mind that it was no place for a free citizen to live and made him move to Paris to continue his education. I told them that in my opinion Germany has a perfect case for the General Disarmament Conference unless she spoiled it by something that gave other nations a chance to draw a red herring across the trail; that her very defenselessness was her very best defense. I told them what we had learned of British preparatory work for the conference and advised them to get in touch with the British and do likewise. It was a very interesting talk and our circle gradually drew the room to observe.

I also had a talk with Luther [76] with respect to Germany's attitude towards the credits and I told him very frankly as to Mr. Hoover's position, that our Government had done all it could or would do as a Government in the debt holiday, that we were now trying to stabilize $600,000,000 of credits in Germany, but that our success depended upon

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[75] See statement by the Secretary of State at a press conference held in Berlin at 7:30 p. m., July 25, 1931, Department of State, *Press Releases*, August 1, 1931, p. 116.

[76] Dr. Hans Luther, President of the Reichsbank.

the banks and the bankers would not loan money to a man who said he was broke, and that Germany had better get off that key and turn to courage and self-help.

033.1140 Stimson, H. L./142½

Memorandum by the Secretary of State of a Conversation With President von Hindenburg, Berlin, July 27, 1931, 11:30 a. m.

With Ambassador Sackett I called on President von Hindenburg. He was an impressive, fine old man, who made a strong appeal to one's imagination. We began with an interchange of amenities as to health, et cetera. He asked me to give a message to Mr. Hoover of appreciation for his action, saying how helpful it had been to Germany. I then expressed our confidence in the German nation, in the character of its people and its future, and told him I had made public statements to that effect in Paris and London, and that we depended upon that for what we had done. He expressed his gratification at this, but very soon switched to the question of disarmament and peace. That, together with his grievance over the question of war guilt were the uppermost matters in his mind. I told him that we agreed with him as to the importance of the General Disarmament Conference, that we would be there and work for a successful result. He said that he was glad to hear that I was a soldier, that his experience had been that the soldiers on opposite sides in the war did not cherish bitterness against each other. I reciprocated, telling him how Bruening and I had found that we had been on opposite sides at Bourlon Woods at the same time, and he was much interested. Following this up, I told him that Bruening and I had decided that we must find a better solution of such questions in the future. He emphatically agreed. He said, "I am an old man. I have lived through three wars. I certainly hope that this war, which we call the last war, is really the last war." He then launched into the question of war guilt, defending the army against the charge of having made the war. From the way in which he spoke I at first wondered whether my talk on Saturday had not been reported to him, but I could not be sure. He was very emphatic, saying that the army had not been responsible for it, that the army had always tried to perform its duty of being prepared. Without going into that question, I told him that I knew history well enough to know his personal history and how free he was from the charge of beginning the war, because I knew that he was living in honorable retirement when the war opened and he was only brought into the war by the imperative demand of his Government for his help. I told him of the esteem with which he was held in America.

I told him of America's personal attitude towards Germany, how I, for example, lived in one of the largest German cities in the world, New York, and what good citizens the Germans had made and particularly of our gratitude for their conduct in the Civil War where they very effectively helped us in saving our Union. He expressed his warm appreciation of this.

I reverted to the financial point. I told him that we had done what we could, all that we could as a Government and that we were trying to persuade our bankers to maintain the credits which they had in Germany, but that we could not do this unless Germany helped us. It depended upon Germany's courage and efforts for self-help. The results would depend on Germany and I hoped that they would show the same courage in this matter as they had shown in the war. I told him that I was tempted to speak frankly on this subject because I remembered his own courageous leadership two years ago when he had made his statement in regard to the Young Plan. He seemed very appreciative of this and was very cordial when I rose to say goodbye. When Sackett told him that I was going to fly home, he raised his eyebrows in surprise and expressed great interest.[77]

462.00R296/4750 : Telegram

The Ambassador in Great Britain (Dawes) to the Acting Secretary of State

[Paraphrase]

LONDON, July 29, 1931—9 p. m.
[Received July 29—6 : 40 p. m.]

274. For the President and the Acting Secretary from Stimson. Last Friday evening, July 24, I left London for Berlin arriving there the next afternoon. I dined that night at the Embassy, and there met the Chancellor and other Government officials. On Sunday I spent nearly the entire day with Bruening and Curtius seeing Berlin and the neighboring country, and observing the holiday crowds. Sunday night I dined at the Office of the Chancellor, and there met a number of Government officials as well as some prominent bankers, among others Warburg, Wallenberg of Sweden, Schacht, etc. I had a conference lasting half an hour with Von Hindenburg on Monday morning, and at 1 : 30 I left by air for London.

My principal endeavor was to try to make Bruening and his colleagues realize that the United States had done everything possible to help Germany, and that the success of the stabilization of present

[77] Under changed plans the Secretary of State arrived in New York City, September 3, 1931, on the S. S. *Leviathan*.

outstanding credits would rest with the German people and their Government. It is my belief that these efforts met with some success, and that the Germans are beginning to feel the importance of helping themselves and of ceasing to make appeals for immediate assistance. In the opinion of Ambassador Sackett there has been a decidedly favorable change in tone in this regard during the last few days. The doctrine I advocated was professedly believed in strongly both by Warburg and Schacht. In my conversation with President Von Hindenburg I emphasized the need for self-reliance on the part of Germany and for courage in facing the present situation; and Von Hindenburg reacted very favorably to this suggestion. With regard to disarmament. I limited my discussion to stressing the moral value of the present undefended position of Germany as an argument for the spread among her neighbors of disarmament; and I expressed a hope that Germany would do nothing to impair the value of her position in that respect. Although I was in Berlin only a short time, I had a good chance to see the Chancellor in contact with holiday crowds; and I obtained a very favorable impression of their stability. No hostile demonstrations took place; and I was very much reassured by the appearance of the average middle-class holiday-maker. The principal reaction I had was that Germany was regaining her self-confidence.

In returning to England, I stopped at The Hague, where I dined with Minister Swenson,[78] who had the Governor of the Bank of Holland to meet me, as well as several of the Dutch Government officials. Tomorrow I expect to have additional conferences with MacDonald and others here, and shall leave for Scotland on Friday evening. Details of my conversations in Berlin will be forwarded by post. [Stimson.]

DAWES

462.00R296/4771½

Memorandum by the Secretary of State of a Conversation With the French Ambassador in Great Britain (De Fleuriau), London, July 30, 1931

Late in the afternoon I called on de Fleuriau, the French Ambassador and had a long talk with him. I told him of my visit to Berlin and I thanked him for the kind words he had said to Ambassador Dawes as to my intervention in Paris. He said I owed him no thanks, because what he said represented the facts.

I told him first of the underlying economic difficulty of the German situation leading to its organization in high gear and its neces-

[78] Laurits S. Swenson, American Minister in the Netherlands.

sity for more markets and the importance of some such plan as Briand's for the abolition of the Mid-European tariff barriers. He agreed with me as to the importance of these matters, saying that he was called a free trader, but in fact was a very moderate protectionist, but he told me he was rather pessimistic as to the success of any movement to reduce those barriers on account of the powerful influence of organized industry over modern parliamentary governments.

We then discussed disarmament and peace. I told him what I had told the Germans on that subject and he recalled that I had told Laval of the importance of the civil government preserving its superiority over the military, with which he said he and Laval absolutely agreed. I had no particular proposition to put to him because I did not consider him a direct enough medium with the French Government and my call was purely personal to thank him for the really important help he had given me, but the call ended in a long and very thorough talk about the underlying features of disarmament in which he expressed himself very fairly and impartially.

462.00R296/4807½

Memorandum by the Secretary of State of a Conversation With the British Prime Minister (MacDonald), London, July 31, 1931

I lunched with the Prime Minister. He spoke of the situation being bad, too. I told him that it was a case of the psychology of a panic. In my opinion the thing to do was to keep your head cool. I told him how Sackett had acted in Berlin. I was told by Mellon of Snowden's [79] talk with him as to a possible moratorium and some things that could not be even mentioned without doing harm. He agreed with me and told me that something worse had happened, namely, he found that Henderson had talked to Laval about the financial situation. I reverted to Laval's talk with me saying that it was brought up entirely by Laval and pointed out that Laval's promise had been kept. He agreed that it had been kept. MacDonald said he had this in mind when he made his recent statement in Berlin of how helpful the French had been. I did not say anything but I thought that while his motive was good it might have been better for the credit of the Bank of England if he had not spoken as he did even in regard to the attitude of the French.

I turned the question to disarmament and read him portions of Mr. Root's letter to me of June 3.[80] He spoke of the recent French

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[79] Philip Snowden, British Chancellor of the Exchequer.
[80] Not printed.

statement on disarmament and how bad it was in certain respects. One point he mentioned was that it said the Treaty of Locarno,[81] the Covenant and all the other pacts were no good unless they were backed by force. He told me that the British had selected their delegation yesterday to go to the Geneva General Disarmament Conference next February, that he was to head the delegation with the understanding that he won't have to be there all the time. He told me the difficulties of the situation and that the opposition under Baldwin had been very decent, but could not join in a three-party delegation because they were going to try to put the Labour Party out in the meanwhile. I told him of my talk with Henderson about giving me access to the results of the deliberation of their three-party preparatory commission. He told me that he had approved of Henderson's action and thought they could give us a large part of their work outlining some of the things they were doing.

He talked of the general problem that Britain had in the face of France's arbitrary position on armament, saying that he did not intend to be led into a contentious attitude in spite of the irritation, but he thought it would be better for Britain to stand aside and not force a rivalry in lending with other countries. He spoke frankly of his relations with Norman,[82] how Norman had become excited under the strain and was now, today, ill, virtually broken down under the pressure. I told him of my recent thoughts on the subject of methods of investment and spoke to him of Feis'[83] book on "Europe and the World's Banker," a study made of the different methods of investment between France and England. Somewhat to my surprise he proved to be familiar with the methods of lending direct to the industries as Britain had done and lending to the political governments as France had done. He said he never would allow Britain to drift into the French method, even if France built up a big financial control in Paris. I told him that I agreed with him; that no two nations could go into a financial contest of political lending without really engaging upon a modified warfare which might drift into very dangerous political irritation; that in my opinion the French method would lead to dangers both between the competing creditor nations and also to a very unsatisfactory relationship between the respective creditor and debtor nations. I pointed out, as examples, how little trouble the American investing corporations had got into during the present economic crisis where they loaned directly to the foreign industries, as compared to the cases where they loaned to the governments of other nations.

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[81] Treaty of Mutual Guarantee between Germany, Belgium, France, Great Britain, and Italy, signed at Locarno, October 16, 1925, League of Nations Treaty Series, vol. LIV, p. 289.

[82] Montagu Norman, Governor of the Bank of England.

[83] Herbert Feis, Economic Adviser of the Department of State.

He told me at considerable length of his talks with Bruening. He also brought up the question of what was to be done at the close of the Hoover year. I told him that I thought nothing could be done now, even by suggestions, that what we must try for now was a clearing away of the smoke of the panic, that then we could tell much better whether anything further was necessary. He told me in detail of his interviews with Bruening at Chequers [84] and how Bruening brought up the question of a moratorium and told MacDonald that he was thinking of consulting France about it. MacDonald warned him to consult anyone a week beforehand would be fatal, because during that intervening week they would start a panic and that if the subject was to be taken up it should be without warning to anyone. MacDonald said that was the great thing about the Hoover plan; it had been sprung without warning and that an attempted warning would have been fatal. He said very emphatically that it had come just at the right moment and in his opinion had saved everybody in Europe from a great disaster and perhaps ourselves in America.

500.A15a4/344½

The Italian Minister for Foreign Affairs (Grandi) to the Secretary of State

ROME, August 12, 1931.

MY DEAR MR. STIMSON: I expect it will interest you to have some account from me of the conversations which took place lately in Rome with the German Ministers.

Chancellor Bruening and Dr. Curtius were our guests at the end of last week. Their meeting with signor Mussolini was most cordial and the various conversations between him and Dr. Bruening and between Dr. Curtius and myself were as frank and friendly as could be desired.

Many points relating to the more important problems of the day were freely examined with a spirit of mutual comprehension and my impression is that Dr. Bruening and signor Mussolini were able to fully appreciate each other.

1)—As to the critical situation in Germany Dr. Bruening confirmed the opinion that his country will do her utmost to surmount the present difficulties relying on her own capacity and resources. This will restore confidence at home and abroad, and Germany hopes she will then be able to count on the friendly collaboration of all countries. Dr. Bruening has expressed the hope that, as soon as the work of the

[84] See pp. 6–8 and 11–14.

Committee of Bankers [85] has come to an end, the London Conference may be resumed with a view to examining more thoroughly the present situation.

Signor Mussolini has declared to Dr. Bruening that he has great faith in the possibilities of Germany and in the personal qualities of the Chancellor himself. He agreed on the opinion that it would be necessary to hold a new Conference for completing the work which has been broached up in London. To make such a Conference a success, it was, of course, imperative that the various Governments should approach it in a spirit of sincere goodwill, putting aside as much as possible their particularistic views, each keeping into due account the special position and the difficulties of the others.

2)—Dr. Bruening has informed signor Mussolini regarding the Franco-German conversations in Paris and in London. Signor Mussolini expressed the hope that a definite improvement may be reached in the relations between France and Germany. Italy is likewise doing and will do her best to improve her friendly relations with France. The peace and future of Europe are based on a good understanding between the four Great Powers, and on the possibility for these Powers, who are signatories of the Locarno Treaty, to pursue their common work in a spirit of good will and reciprocal comprehension, and in close touch with the United States. Efforts should not be spared to bring also Russia gradually to assume a definite responsibility before the great problems of the day. Hence the utility of frequent meetings and of a frequent exchange of views between the statesmen who are responsible for the policies of the various countries.

3)—The problem of disarmament and of the future Conference were discussed at length. We agreed that a failure of the conference would be a severe blow to the policy of general collaboration and peace and perhaps to the very existence of the League of Nations. It is therefore imperative to do all in our power to attain practical results.

The German Ministers have explained to us the position of their country with regard to the problem of disarmament and the policy which the Government of the Reich will presumably pursue during the Conference.

We have expressed the opinion that Germany's position will be all the stronger, from a moral and a political point of view, if her policy, rather than being based on a claim to arm and to follow other countries in an increase of armaments—which is contrary to Treaty obligations—will stress the right of Germany to expect other countries

[85] Committee of banking experts which met at Basel August 8–18, under the auspices of the Bank for International Settlements, for the purpose of examining the credit needs of Germany. See pp. 314–315 and 323–324.

to reduce their armaments in compliance with the undertaking contained in the Peace Treaties.

I also broached with Chancellor Bruening and Dr. Curtius a subject which I discussed with you during your visit to Rome. I said that the Italian Government considers that, in order that the success of the Disarmament Conference may be assured, it would be highly desirable that the Conference should open with some kind of preliminary understanding of a general and provisional nature between the various Governments. This might consist in an undertaking to postpone for a definite period of time the existing programmes of naval constructions, while something similar might also be agreed to with regard to land and air armaments. The moral effect of such measures would doubtless be very great and the work of the Disarmament Conference would begin in an atmosphere of confidence, rather than in a spirit of competition and mistrust.

Both Chancellor Bruening and Dr. Curtius have declared their agreement, on general lines, with this idea. For their part they would be ready to undertake the postponement of the proposed construction of Battleship "C" (battleship "B" being already under construction). They would likewise be disposed to follow a similar course of action with regard to other armaments.

4)—The German Ministers have insisted upon the necessity of intensifying the work which is at present being done with a view to reaching, as soon as possible, an understanding of a general economical character to surmount the existing crisis. We have declared our agreement and our readiness to consider with an open mind the proposals which might be made concerning this important matter.

5)—The question of the Austro-German customs Union was merely mentioned, it being understood that our respective Governments were waiting to hear the decision of the International Court of the Hague.

We did not go into the merits of the question but the German Ministers must have realized by now the great importance we attach to it. I do hope that they will realize also that it is in the general interest of Europe to see such a question being dismissed from the field of our preoccupations.

Summing up; I can say that all the conversations were prompted by the sentiment of the seriousness of the present world situation and all the problems have been discussed with the feeling that their solution can be found only through a sincere effort of international collaboration.

There is nothing new concerning our naval conversations with France. After the hint we received from Paris about one and half month ago, we are still waiting for a communication of the announced new French proposals. Of course we are still in favour of the "Bases

of agreement" of March last [86] and hope that an agreement may be reached on those bases. Anyhow we intend to spare no effort to come to a favourable conclusion and I will not fail to keep you informed about the future negotiations, if any.

I am leaving for a very short holiday in the mountains and expect to be back in Rome within ten days, and then leave for Geneva at the end of the month.

I hope you will fully enjoy your well deserved rest in the moors of Scotland.

I am [etc.] GRANDI

500.A15a4/350½

The Secretary of State to the Italian Minister for Foreign Affairs (Grandi)

SCIBERSCROSS FARMHOUSE,
ROGART, SCOTLAND, August 20, 1931.

MY DEAR SIGNOR GRANDI: I have received and read your letter of August 12, 1931 with the utmost pleasure and interest. It is one of the most significant and encouraging results of the efforts which we have all been making in recent years that I should be able to receive from you such a frank and informal and helpful account of your meeting with the German Chancellor and Dr. Curtius. It gives me a far better understanding of the situation than I could possibly receive through the usual formal diplomatic channels.

In the first place, I am delighted at your account of the spirit in which the mutual interchanges between Dr. Bruening and Signor Mussolini and yourself took place. I agree with you that the seriousness of the present world situation has very evidently brought the representatives of all the great nations to a realization of the imperative necessity for seeking a solution of pending problems in a spirit of mutual collaboration before those problems bring upon us a great disaster. One of the encouraging observations which I have made upon my present trip has been along these lines. It has seemed to me that all of the gentlemen whom I have met, recognizing this serious condition, were putting aside all minor considerations in an effort to substitute a spirit of mutual understanding for the former spirit of suspicion and mistrust. In my opinion this is vital. Some of these political problems lie across the path of the road towards disarmament. Until they are grappled with and solved, some of the countries of Europe are likely to insist upon remaining highly armed. With the spirit of mutual confidence which would be pro-

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[86] *Ante*, p. 380.

duced by their solution it ought to be easy to make much greater progress in disarmament than would be possible in the present situation.

I note with particular interest your account of your discussion of this problem of disarmament with the German Ministers, particularly as your advice to them follows almost exactly the line I took in my conferences with them in Berlin. I told them then that the very fact that Germany was now disarmed gave her a moral influence upon the other nations of Europe, which I felt would be sure to bring about a reduction of their armament in the end unless Germany herself should destroy that influence by ill-advised steps towards arming herself meanwhile. They also told me of the situation of their naval construction and I understood from them that they would be ready to undertake the postponement of the building of battleship "C" which you mentioned.

I am very glad that you broached to them your important suggestion that the conference should open in the spirit of a general and provisional understanding between the various governments of a holiday in armament construction, and I agree with you that the moral effect of such a measure would in all probability be very great and would exercise a most helpful influence upon the work of the Disarmament Conference.

I should be very glad to hear what further progress you succeed in making with this idea.

So far as Germany's financial position is concerned, your message confirms hopeful evidence which I have been receiving from other quarters. Thereto you seem to have taken towards the German Ministers very much the same position which I took with them in Berlin. I told them that the American people had confidence in Germany and that the American Government had shown this by the step which Mr. Hoover had taken, but that in the final event Germany could be saved only by her own efforts and that the German people must show the requisite courage and confidence which will persuade the banking institutions of the world that it will be safe to lend her their resources. I took much the same position in my talk with President von Hindenburg. I have been very glad to learn through our Embassy in Berlin that a new spirit of courage now seems to be exhibited by the German people and that an atmosphere of greater confidence is prevalent. In my opinion, it is vital that this effort by Germany should precede any further conferences of the various governments in respect to her economic condition.

I sincerely hope that we shall soon hear further concerning your naval conversations with France. In London I told Mr. Laval that in my opinion a successful solution of that naval problem was an

indispensable preliminary towards that further progress towards European disarmament which we all were striving for. He told me that he agreed with me and he further gave me direct encouragement that your conversations would very soon be renewed.

I have noted all the other matters in your letter with the utmost interest and I look forward to further exchanges of the same informal character with the greatest pleasure.

I am sorry that your holiday will be so short, but I hope that it will bring you back to Rome thoroughly refreshed for your most important work. Mrs. Stimson and I have had a very refreshing rest here in Scotland and are leaving in a few days for America.

I shall be very glad if you will give my good wishes to Signor Mussolini, and believe me with most cordial regards,

Yours very sincerely, HENRY L. STIMSON

033.1140 Stimson, H. L./155½

Memorandum by the Secretary of State of a Conversation With the British Prime Minister (MacDonald), London, August 27, 1931, 8 a. m.

At eight o'clock I called at 10 Downing Street, took breakfast with the Prime Minister and was with him until about ten minutes before nine. I told him that if he cared for the opinion of an alien I congratulated him on the position he had taken in supporting the National Government and said that it was, however, no surprise to me because it was what I expected he would do. He said there had been no question about what he ought to do, although he fully expected it ended his public life. He spoke of it being the second time that he had had to take such a step. At breakfast his daughter Sheila and his two sons, Malcolm and Alastair, were present. Malcolm had just come out with a statement stating he would support his father and I congratulated him on that.

MacDonald told me that the King had insisted upon his being Prime Minister, although he wanted to resign. I heard the same thing from others during the day. He also told me that he himself tried to stipulate that he remain in office only five weeks but the other parties were insisting that he should remain longer. (Note: I have heard nothing but praise of MacDonald's action since it was announced. The British papers, except the *Labour Herald*, are unanimous in support of him and everyone whom I spoke to spoke of him in most eulogistic terms.) He spoke of the argument that was being made against him by the Labourites, namely, that they had surrendered to the bankers and as an illustration of this he

said that they were being asked a pretty high rate of interest by Morgan and Company, namely, 4½ per cent, and this would be used by the Labourites as an argument to show the surrender. I asked him at what rate they were able to sell their bonds in the domestic market and he said a little over 3 per cent. He said that in addition to the 4½ per cent interest they had to pay a pretty big commission, I think he said 1½ per cent. I told him that if I had a chance I would put in a word to any of my friends in American banking that it was a bad time to try to make money out of a British loan.

The talk then passed to events that had transpired since the London Conference. I told him that I was trying to ascertain what the influence of the Conference had been; that at first the reaction with the Germans and with the daily press had been that the Conference had been a failure. The Germans had come over here expecting to get impossible things and when they didn't get them they were bitterly disappointed that they had got nothing, but now I was rather of the impression that they were beginning to realize that the Conference had done a great deal for them and I was wondering whether the same impression had reached MacDonald or had appeared in the press. I found his impression as to the reaction in favor of the Conference coincided with mine. I did take up with him the points mentioned in Klots'[87] letter of his interviews and found that in general it checked up very well with the British impression.

I checked up with him on Laval's promise to me about the Bank of France and the British withdrawals and he said that apparently Laval had kept his promise because the Bank of France had acted very fairly ever since and they had no complaints.

I asked the Prime Minister about Henderson and the Disarmament Conference and he said technically Henderson was free to act as Chairman, but that it wasn't decided at all whether he would or not. He said that the change in the Foreign Office[88] made a great jar coming so soon before the meeting of the Council of the League as it did, and that Robert Cecil was going to represent Britain in the League.

I put up to MacDonald whether I should call on Reading and Henderson. He approved of my doing both and he said he would arrange about the Reading call. Later in the day I received word that he had arranged an appointment at 3:30 which I kept. I called and paid my respects to Reading. As to Henderson he said he would be very glad if I would do it. I said I was doing it as a personal meeting, not seeming to let him down when he went out of office.

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[87] Allen T. Klots, special assistant to the Secretary of State.

[88] In the National Government formed August 25, 1931, Lord Reading succeeded Mr. Henderson as Secretary of State for Foreign Affairs.

He said he appreciated my reason for doing so, but that I not call at the Transportation Office but at Henderson's hotel; otherwise the Labour people would make capital out of it.

Our whole talk was on the old familiar, friendly basis, and I came away with a good impression of what he was doing. He said he would keep up in his new position the same relations with me as before and would write and telephone informally when it seemed helpful.

INTEREST OF THE UNITED STATES IN THE PROPOSED AUSTRO-GERMAN CUSTOMS UNION

662.6331/52 : Telegram

The Ambassador in Germany (Sackett) to the Secretary of State

[Paraphrase]

BERLIN, March 23, 1931—3 p. m.
[Received March 23—2:15 p. m.]

35. At noon today, I received from the Foreign Office a copy of an agreement which, in the eventual form of a treaty, would create a customs union between Austria and Germany. According to the agreement, the treaty would be effective for at least 3 years. Except for temporary duties upon several classes of goods which would later be lifted, the pact would provide for free trade between the two countries without export or import duties.

The agreement makes provision also for rules pertaining to national monopolies and consumption charges; and for revised cattle quarantine regulations. Each country will maintain its own customs service to supervise imports from other countries. Moreover, there are provisions for the creation of an arbitration board to interpret the treaty and to adjust differences; and for administrative details. Germany and Austria will attempt to harmonize the proposed treaty with commercial pacts existing between themselves and other Governments. The treaty will be in force on a date mutually agreed upon subsequent to signature. If, in the opinion of either party, an "arbitration award" should conflict with its vital national interests, a denunciation becomes effective after 6 months' notice.

A Foreign Office spokesman told me that by the treaty the independence or sovereignty of either nation remains inviolate; that the provisions relating to one party are the same for the other; and that they are mutually agreed to negotiate similar agreements with other European Governments. Their hope is, he continued, that from the economic point of view, it will facilitate a fulfillment of Briand's [89]

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[89] Aristide Briand, French Minister for Foreign Affairs.

plan of a United States of Europe. I was reminded that a treaty had not been concluded but that the two Governments had merely agreed upon the basis for such a negotiation. While I was at the Foreign Office, the Italian, French, and British representatives were handed copies of the agreement. The German authorities appeared confident that the latter document is not in violation of article 88 of the Treaty of St. Germain [90] and the Geneva Protocol of October 4, 1922,[91] and article 80 of the Treaty of Versailles.[92]

I inquired whether or not the most-favored-nation clause of our commercial treaty with Germany was affected.[93] The reply was that in this case the most-favored-nation clause did not apply. If you desire a copy I can furnish a translation of the agreement at once.

At the Foreign Office it was indicated that the French were unprepared for this announcement. Whether or not it is an infringement of the Geneva Protocol is the topic of debate in France.

SACKETT

662.6331/89

The Ambassador in Germany (Sackett) to the Secretary of State

No. 823 BERLIN, March 24, 1931.
[Received April 4.]

SIR: Referring to the Embassy's cablegram No. 35 of March 23, 1931, 3 p. m., summarizing the protocol of a preliminary agreement in principle of the Austro-German customs union plan which has been approved by the Cabinets of the two countries in an exchange of notes, I have the honor to transmit herewith copies of the protocol which was supplied me by the Ministry for Foreign Affairs, and its translation.[94]

The main features of this carefully worded document are that the two Governments will be willing to enter into similar negotiations with any other European country expressing a desire to do so; that the Customs Union so established differs from any similar previous union in that there will be no joint tariff parliament, the economic independence of neither country will be curtailed, and both countries are to retain their full sovereignty; that existing mortgage rights on customs revenues as security for foreign loans such as the Austrian loan under the Geneva Protocol of October, 1922, will not be infringed and that each country is free independently to conclude commercial

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[90] *Treaties, Conventions, etc.*, 1910–1923, vol. III, pp. 3149, 3181.
[91] League of Nations Treaty Series, vol. XII, p. 386.
[92] *Treaties, Conventions, etc.*, 1910–1923, vol. III, pp. 3329, 3372.
[93] Treaty of December 8, 1923, *Foreign Relations*, 1923, vol. II, p. 29.
[94] For text of the protocol, see Permanent Court of International Justice, Series A./B., Fascicule No. 41, *Customs Regime Between Germany and Austria (Protocol of March 19th, 1931)*, p. 99.

treaties with third countries provided the interests of the other country within the provisions of the Customs Union treaty are not violated.

The treaty must be ratified by the parliaments of the two countries, whose consent likewise will be necessary to any future alterations.

From the effective date of the treaty, like customs duties will be collected under the same customs law but the two administrations will be entirely separate. The duties collected will be apportioned between the two countries according to a fixed ratio. No import or export duties are to be levied, but certain specific goods to be agreed upon shall be subjected to temporary tariffs.

An arbitration committee is provided for settling differences of interpretation and application of the treaty and other disputes arising thereunder.

The treaty shall run for a minimum of three years after which it may be denounced on one year's notice, with parliamentary consent, but either country may terminate the treaty at any time on six months' notice if it considers that a decision of the arbitration committee in a disagreement between the two countries violates its vital interests.

Negotiations for the conclusion of the treaty are expected to be opened immediately after Easter. Two to three months will probably be required to complete it for signature and presentation to the two parliaments, and a further period of time will be necessary to work out the technical details so that it can come into force on or about January 1, 1932.

Although considerable comment appeared in the German press on the subject of relieving Austro-German difficulties and promoting freer intercourse between the two countries, subsequent to the recent visit of Dr. Curtius to Vienna, the announcement of the Austro-German customs agreement came as a surprise.

The well-informed *Deutsche Volkswirt* explained the haste of the German Government in the following terms: "There was haste because it is desirable to inform the Pre-Preparatory European Commission, which will meet next week in Paris, in advance of the substance of the agreement." Foreign press comment countered with the observation that, as Germany is apparently planning to reopen the problem of reparations, Berlin has chosen a propitious moment but that the value was lost by not discussing the matter first with the Commission.

Other foreign observers referred to Austria's painful economic condition and her inclination towards German commercial support, expressed by her constant disinclination to enter any central European combination in which Germany should not take part. However, Germany proved slow in responding to Austrian appeals and the negotiations with a view to reaching a commercial accord between the two

countries are reported as having been laborious, with Austrian threats to join a "Danubian Federation." In addition, Austria's agricultural production demands ever more protection from her over-produced neighbors, and her commercial treaties with Hungary and with Jugoslavia terminate in July. From these facts, the observers deduced that Austria's complaints and threats made the German Government take the hasty step it has taken.

The German press considered the announcement of the agreement as an event of prime importance and devoted a great amount of space to it, with unanimous approval. Leading economic writers contributed lengthy articles.

Semi-official news organs state the Government's arguments in behalf of the agreement substantially as follows: The severe economic conditions and the appalling amount of unemployment in both Germany and Austria, and the failure of all international conferences called to consider means of alleviating this condition to achieve European economic cooperation—conferences from which both countries had long hoped for fruitful results—led them to an agreement looking to the forming of an "economic universal customs union in the fullest sense of the word but under new legal forms." It is pointed out that the idea is not a new one, as Dr. Schober, the Austrian Chancellor, at the League of Nations meeting, last September, suggested the conclusion of regional agreements as the best way to initiate the Briand idea of European union, and that such an agreement between Germany and Austria, the two countries culturally related and having the fewest obstacles to remove, has been under discussion for some years. The initiation of a movement in Southeastern Europe towards regional agreements influenced the conclusion of the agreement.

The "new legal forms" are included in the rights, under the treaty, of each party to make commercial treaties with other states; in the maintenance of absolute independence of both parties, as compared with the Germany-Luxemburg and the Belgium-Luxemburg customs unions in which the larger state dictated and the smaller one conformed, giving up its economic independence; in the absence of a Customs Parliament, as was the case with the former German Customs Union; in the dependence upon both parliaments for the alteration of the treaty and in that similar negotiations may be entered into with any other European country.

The German Government maintains that the agreement in no way violates the terms of the treaties of Versailles and of Saint Germain, because Austria retains her complete independence and may denounce the treaty and that, in entering an agreement to which any other European nation may adhere, she has not discriminated between other states. Also, that in consideration of the foregoing and of the fact that the

combined customs revenues will exceed the commitments under the Austrian loan, the Geneva Protocol of 1922 has not been infringed.

It is argued that the Customs Union does not constitute an initiative against European union but rather the beginning of the application of the Briand idea which, according to Dr. Max Jordan, writing in the *Berliner Tageblatt*, is "but the first step along the way to the last boundary of the union of joint European economics and the first step towards further regional treaties and finally to European customs union."

Existing commercial treaties containing the most-favored-nation clauses will not be affected, it is claimed, as in international law the principle does not apply to customs unions. However, as was stated in the Embassy's despatch No. 811 of March 17, 1931,[95] there is a possibility that by the law empowering the Government to alter customs tariffs, reference to which is therein made, the German Government may, in the consideration of most-favored-nation treatment, incline towards conditional most-favored-nation treatment. This assumption has now found voice in the Social Democratic *Vorwaerts* of March 23rd, in which it is stated that: "For Germany's far-flung export a deviation from the principle of most-favored-nation treatment is conceivable."

The purely economic character of the proposed Customs Union is emphasized by the Government. The press maintains that Austria, with a population of but six and a half millions as compared with sixty-three millions in Germany, will profit most by the union. The latter can increase her market by only 10 per cent. One-sixth of Austria's commodity export is received by Germany, while one-fifth of Austria's imports originate in Germany. The balance of Germany's trade with Austria for the years 1925 and 1930 is given as follows:

	(In Millions of Marks)		
	Imports	Exports	Excess
1925	175. 5	319. 9	144. 4
1930	181. 2	360. 3	179. 1

The removal of the customs barrier, it is pointed out, will augment the volume of exchanged commodities, reducing prices, while the stretching of each country's frontiers will facilitate trade with new neighbors.

The consensus of German press opinion is that the Southeastern European states, especially Hungary and Rumania, with their prob-

[95] Not printed.

lem of overproduction, will look with sympathy upon the Customs Union and incline towards participation in it, and hope is expressed that by gradual expansion a complete Continental Customs Union may eventuate.

In conclusion it may be said that whatever the motives of Germany may be, it is reported that her actions are viewed with suspicion abroad. The *Anschluss* is too old a question to evade the realization that a customs barrier is the sole remaining reason for a frontier between the two countries and every tendency towards German unity in the past has begun with a customs union. A portion of the German press evidently considers the agreement as a first step towards evading treaty rights. To quote the *Montag Morgen:* "But although the treaty separates them (Germany and Austria) politically, they can seek other means to unite economically" and the *Berliner Boersen-Zeitung:* "The hated treaties of Versailles and St. Germain are perforated with all due respect, naturally, for modern paper. If the Germans desire, they will have their freedom and their union," as concrete examples.

However, Germany's moral position is strong since, having ratified the Geneva Customs Conference [96] and having shown consistently her willingness to guarantee preferential tariffs in return for the export contingent of other states, she has indicated her desire to cooperate. But laudable as is her revolt against the system of tariff walls, it remains to be seen whether or not her action, as is believed by some observers, will actually create a political storm which may wreck the customs union by the intimidation of Austria on the part of the other signatory powers to the Geneva Protocol of 1922, or affect adversely Germany's possibilities of future reparations discussion.

The Embassy will watch the developments in this matter and report further as the occasion warrants.

Respectfully yours, FREDERIC M. SACKETT

662.6331/69

Memorandum by the Secretary of State of a Conversation With the Italian Ambassador (De Martino)

[WASHINGTON,] March 26, 1931.

During the call today of the Italian Ambassador he brought up the question of the customs union. I told him that I had had nothing

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[96] For correspondence concerning the First International Conference for the Abolition of Import and Export Prohibitions and Restrictions, Geneva, October 17–November 8, 1927, see *Foreign Relations*, 1927, vol. I, pp. 246 ff.; concerning the Second Conference, Geneva, July 3–19, 1928, see *ibid.*, 1928, vol. I, pp. 366 ff. For texts of the convention and protocol together with the supplementary agreement and protocol which resulted from those two Conferences, see *ibid.*, pp. 336 ff.

to say on that subject and neither had the Department of Commerce and that reports to the contrary were inaccurate. He said he understood that. He further stated that Italy had been inclined to favor it but that was merely tentative.

H[ENRY] L. S[TIMSON]

662.6331/70

Memorandum by the Secretary of State of a Conversation With the French Ambassador (Claudel)

[WASHINGTON,] March 26, 1931.

During the call of the French Ambassador today he brought up the question of the customs union between France [*Austria*] and Germany. I told him I had not yet received officially the text of it and was therefore making no comment. He asked me whether I had formed any opinion of the effect of the customs union upon the most-favored-nation treaties. I told him that that question seemed to be so delicate and so important that there were differences of views even in my own Department, and I therefore had not even yet formed my own opinion and certainly not said anything about it. He said he appreciated the propriety of this attitude. He then stressed the importance of coolness and good temper in dealing with the matter and made a very temperate statement pointing out that there could be very well understood reasons for such actions on the part of Germany and Austria; that such a customs union was economic and not political and therefore Germany would have good reason for seeking in the present situation for economic improvement. Mr. Claudel said he felt sure that M. Briand was handling the matter in this temperate and friendly way. As he expressed it, "Briand is a fisherman who is used to letting his line go out first before he reels in." He told me he was much abused [*amused?*] however; that he had just received a letter from his colleague in Berlin who commented on the relations between Austria and Germany, saying that there was not now the slightest danger of any *anschluss*, and he had had another similar letter from his colleague in Czechoslovakia showing likewise complete ignorance of the imminence of any such thing. I laughed and told him that I had had similar evidence that our ministers were in complete ignorance of the pendency of any such program, mentioning our Minister in Austria.

H[ENRY] L. S[TIMSON]

662.6331/71

Memorandum by the Secretary of State of a Conversation With the German Ambassador (Von Prittwitz)

[WASHINGTON,] March 26, 1931.

The German Ambassador came to speak to me about the customs union between Germany and Austria. I told him as I had told the others, that I had not yet received the text officially and I was not prepared to comment on it until I had. I said we would be very careful not to intrude ourselves into the political controversies that might be incited regarding it, and as to the economic questions that might arise in reference to it we should, as we recognized them as very important, proceed with great care and study. He asked me if I had made up my mind at all in regard to our own relations under the most-favored-nation treaties. I told him that that question seemed to be very delicate, and I was going very carefully about it as I found there were differences of view even in my own Department. He then said that it had seemed to be recognized that the customs union did not affect most-favored-nation treaties. I said there seemed to be a very great difference of opinion about that, arising possibly out of the fact that the old most-favored-nation treaties were conditional treaties under which a country could not claim advantage unless it was prepared to reciprocate. I pointed out that, for example, if we had a conditional most-favored-nation treaty with Germany we could not apparently ask for the free import of our goods through her customs union with Austria unless we were prepared to give similar free entry through our own tariff barrier. I suggested that it was possible that the idea that the most-favored-nation treaty did not apply to a customs union grew out of the fact that the only treaties of that kind in existence at the time of the old customs unions were conditional treaties, and the other nations which held them did not seek to press them. I pointed out that the unconditional most-favored-nation treaty, on the other hand, was a very recent product, not dating back any earlier (at least so far as we were concerned) than 1924 or 1925. Therefore, the situation under such an unconditional treaty, which was the kind that we held with Germany, might be very different in its effect upon a customs union than the former kind of conditional treaties; that on that point I was studying carefully and making up my mind with great care. He begged me to let him know as soon as I had decided.

He told me that this customs union was not a new idea at all with Germany; that the question of the abolition of customs barriers had been discussed for a long time as one of the most important steps

toward the rehabilitation of Europe; that it was the basis of the Briand proposal and that Germany felt that she was working in the interest of what all had desired. I told him that I realized that but I was aware at the same time of the fear of prominent French international writers, based upon their study of the old *zollverein* between Prussia and smaller German states; that these French students thought that such a *zollverein* had been the basis of Germany's political growth and evidently feared a repetition of it. He said there was no idea on the part of Germany of any such *anschluss*, and that her whole purpose was economic.

He told me that the American press seemed to have been very restrained in their comment on this situation. I replied that we had taken the utmost care to avoid any comment and to impress upon the press that we did not take any part in these political discussions. I told him that I had seen the report in the *Times* about a statement of the Department of Commerce, and had telephoned and ascertained that it was entirely untrue; that no such statement had been given out. I told him the only statement in Europe which had impressed me was the fear that this announcement of a customs union might injure M. Briand; if that was so I should be very sorry, because M. Briand was such a power for peace. The Ambassador said he appreciated that but he felt sure that M. Briand could be counted on to handle the matter skillfully; and that we must also remember Mr. Bruening's [1] difficulties. I told him we understood.

H[ENRY] L. S[TIMSON]

662.6331/63 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

[Paraphrase]

VIENNA, March 26, 1931—5 p. m.
[Received March 26—4 : 09 p. m.]

21. Yesterday, upon instruction from his Government, the British Minister urged Schober to submit the customs union proposal to the League Council. He stressed the disturbed conditions which would probably follow should Briand fall as a result of the agreement. Although he gave full assurances that Austria would not object to have the signatories of the Geneva Protocol examine the agreement in its legal aspects, Schober averred that Austria would object to treatment of this purely economic document as a political one. Furthermore,

[1] Heinrich Bruening, Chancellor of the German Reich.

he insisted that it was compatible with the Geneva Protocol. The British Ambassador received a stronger reply from the German Chancellor, who spoke for the two Governments involved. Dr. Bruening claimed that the Council was without jurisdiction in the case since there was no violation of the Geneva Protocol. Bruening, who spoke as if authorized by the Austrian Government, made a good impression on the diplomatic corps in Vienna. Mussolini instructed the Italian Minister in Austria, on leave in Rome, to return immediately, to notify Schober, with whom he will confer this afternoon, that the Italian Government would objectively review the case. According to the *Presse*, the U. S. Commerce Department has concluded that the most-favored-nation clause is not affected by the proposed union. The State Department is also reported as having inquired of the Austrian and German Governments as to what effect the customs union would have on the most-favored-nation clause.

STOCKTON

662.6331/72½ : Telegram

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

[Paraphrase]

WASHINGTON, March 26, 1931—6 p. m.

13. In a discreet manner you are to inquire whether or not, upon the establishment of the Belgo-Luxemburg Economic Union in 1921, any other Government, in view of an unconditional most-favored-nation clause in an existing treaty with either Belgium or Luxemburg, sought to claim the advantages of the union. What success attended such representation? Please report as soon as possible.

STIMSON

662.6331/63 : Telegram

The Secretary of State to the Minister in Austria (Stockton)

[Paraphrase]

WASHINGTON, March 27, 1931—5 p. m.

12. Legation's 21, March 26, 5 p. m. To date we are without a text of the agreement on the proposed customs union. The statement in the *Presse* attributed to the Commerce Department is denied here by the responsible officials. Moreover, we are not seeking explanations either from Germany or Austria. Under these circumstances, if the Austrian Government raises the question, you may, at your discretion, informally review the situation.

STIMSON

662.6331/84

Memorandum by the Assistant Secretary of State (Castle) of a Conversation With the German Ambassador (Von Prittwitz)

[WASHINGTON,] March 28, 1931.

The German Ambassador brought up informally the question of the Austro-German Customs Union and said that he was glad to notice that the excitement seemed to be dying down very rapidly in Europe. He said it seemed to him perfectly obvious that a customs union had nothing to do with most-favored-nation treatment. He pointed out, for example, that France has a customs union with Monaco and that in the negotiation of the French-Austrian treaty that the subject was never mentioned. The Ambassador feels that, as we have most-favored-nation treaties with both France [*Germany*] and Austria,[2] this customs union will not really affect us. He left with me the attached statement[3] which is quoted from the recommendations of the Economic Committee of the League of Nations.

W[ILLIAM] R. C[ASTLE] JR.

662.6331/73 : Telegram

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

[Paraphrase]

BRUSSELS, March 28, 1931—5 p. m.
[Received 9:21 p. m.]

19. Your 13, March 26, 6 p. m. I have found nothing on either point. For pertinent references to the subject you may want to consult League of Nations document C 138–M53–1929 II, June 18, 1929, page 11, especially paragraphs 1, 7–9 (exceptions to the clause). This account asserts that the true customs union, of which the Belgo-Luxemburg Economic Union of 1921 was one, is not subject to the most-favored-nation procedure. Van Langenhove, Secretary General of the Belgian Foreign Office, furnished me with the aforementioned information. He viewed the position of the Austrian and German Governments as an embarrassing one, to wit:

As a true customs union the proposal might not be open to the most-favored-nation clause yet be in violation of the Geneva Protocol. Contrarywise, should the customs union not be regarded as a true one and valid by the terms of the Protocol, the most-favored-nation clause might be applied to it.

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[2] See pp. 847 ff.
[3] Not printed.

If I interpret the Secretary General's observation correctly, his Government had no objections to an Austro-German customs union but found fault with the timing of the announcement. Consequently, there was unwholesome speculation as to the true purport of the proposed treaty. This kind of situation would deter Governments such as the Belgian from expressing themselves in favor of the project.

GIBSON

662.6331/73 : Telegram

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

[Paraphrase]

WASHINGTON, March 30, 1931—1 p. m.

15. Embassy's 19, March 28, 5 p. m. We are satisfied from your wire that no Government claimed the advantages of the Belgo-Luxemburg Economic Union under the most-favored-nation clause in treaties with either country. You are to ascertain for us, however, whether or not in 1921 either Belgium or Luxemburg was a party to any commercial treaty which contained an unconditional most-favored-nation clause. We desire an immediate reply.

STIMSON

662.6331/78a : Telegram

The Secretary of State to the Minister in Austria (Stockton)

[Paraphrase]

WASHINGTON, March 30, 1931—5 p. m.

14. The projected Austro-German customs union is being carefully studied here. In what manner and to what extent will Austro-American trade relations be affected by the proposed union? You are to utilize the services of the Commercial Attaché and the Consul General in this search. We expect a telegraphic summary to precede a lengthy report.

STIMSON

662.6331/73 : Telegram

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

[Paraphrase]

BRUSSELS, March 30, 1931—5 p. m.
[Received March 31—3:35 p. m.]

21. Reference to Embassy's 19, March 28, 6 [5] p. m. The dilemma referred to in the above telegram could be over-emphasized. This was

the view of a member of the German Legation with whom I had a conversation yesterday. He had just arrived from Berlin. I was told that this aspect of the problem had been carefully studied by the chief of the legal department of the German Foreign Office before the agreement was concluded. According to my informant, his Government was of the opinion that the proposed treaty *sui generis* was neither a true customs union of the Belgo-Luxemburg type, which under the Geneva Protocol would not be permitted because it would involve the sovereignty of Austria, nor economically incomplete thereby making it possible to invoke the most-favored-nation clause.

The official reiterated the recent statement of the retiring German Minister in Belgium. The latter, Alfred Horstmann, regarded the agreement as a measure designed to boost the morale of a people now at its lowest level as well as to facilitate economic reconstruction. In place of the ebbing Hitler Nationalist movement the agreement would stimulate the nation and subsequently bolster the Government in its fight against the extremist activities of the National Socialists.

Referring to paragraph 3, page 2 of my despatch No. 827, March 26,[4] I gained the impression in talking with this official that his Government regards the proposed Austro-German customs union as a preliminary step toward an economic unit ultimately embracing Hungary, Rumania, Yugoslavia, Czechoslovakia, and Poland.

Repeated to Berlin and Paris.

GIBSON

662.6331/78 : Telegram

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

[Paraphrase]

BRUSSELS, March 31, 1931—2 p. m.
[Received March 31—1:05 p. m.]

22. Department's 15, March 30, 1 p. m. I am advised by the Foreign Office that, when the Belgo-Luxemburg customs union was established in 1921, Belgium had commercial treaties containing unconditional most-favored-nation clauses with France, Great Britain, and the Netherlands. If there were others, the Foreign Office will give me that information at a later date.

GIBSON

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[4] Not printed.

654.0031/10 : Telegram

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

[Paraphrase]

BERNE, April 1, 1931—2 p. m.
[Received 3:25 p. m.]

43. Department's 38, March 30, 5 p. m.[5] When the customs union between Liechtenstein and Switzerland was set up, the Swiss Government was a party to several treaties which contained the most-favored-nation clause. Several had clauses which, in the case of the customs union, specifically excepted the most-favored-nation clause. All the agreements which the Swiss have negotiated since that date have included a similar proviso.

No Government has ever protested against this arrangement. Dinichert[6] gave me this information informally. Shall we proceed to study such treaties in greater detail?

WILSON

662.6331/86 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

[Paraphrase]

VIENNA, April 4, 1931—1 p. m.
[Received 4:44 p. m.]

30. Your 14, March 30, 5 p. m. Commodities not produced or not exported by Germany, for example, tobacco (a government monopoly in Austria but protected by tariff should monopoly be removed), cotton and copper (free entry) flour, wheat, fruit, meats, lard, oils, and leather shoes will probably not be affected by the customs union. These items amounted to about 70 percent of American imports in 1930. Products which will be gravely affected include rubber goods, razor blades, films, machinery, automotive vehicles, typewriters, cash registers, adding machines, chemicals, and household goods: approximately 12 percent of 1930 American imports. German competition in these lines will be sharp because the interim duties levied upon them as exports from Germany to Austria will be less than those set for the customs union. Wherever German competition is keen the charges determined for the combined customs territory will be high on the remaining 18 percent of miscellaneous articles. No commodity will probably bear a new duty above the maximum or below the minimum of any existing charge in either country except in cases where Austria and Germany feel there is a need for a prohibitive duty.

STOCKTON

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[5] Not printed.
[6] Paul Dinichert, Director, Federal Division of Foreign Affairs.

662.6331/86 : Telegram

The Acting Secretary of State to the Minister in Austria (Stockton)

[Paraphrase]

WASHINGTON, April 6, 1931—5 p. m.

19. Legation's 30, April 4, 1 p. m. Are "interim duties" temporary duties which will be imposed at the Austro-German border until the customs union is completely organized? Do you know when they will go into effect or what they will be?

CARR

662.6331/137

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

No. 1981 BERNE, April 10, 1931.
[Received April 24.]

SIR: I have the honor to report, in connection with the Department's telegram No. 38, March 30, 1931, 5 p. m. and my reply thereto No. 45, April 7, 1931, 12 noon,[7] that I had a conversation with Mr. Dinichert a few days ago which brought out in its general lines the attitude of Switzerland towards the proposed customs union between Germany and Austria. I was contemplating writing a despatch from memory of this conversation, but had desired to check it up more definitely.

Now, however, I find a leading article in the *Journal de Genève* of April 8th, of which I enclose a translation,[8] setting forth the point of view of Switzerland so clearly that it is unnecessary for me to do more than transmit this document with the assurance to the Department that it meets in all respects the views which were given to me by Mr. Dinichert.

I invite attention particularly to the view therein expressed that, if the proposed union is a real customs union, the Swiss Government will feel that it has no right to demand like privileges under the most favored nation clause, especially since the treaties which Switzerland has negotiated since its customs union with Liechtenstein contain a provision excepting the operation of the most favored nation clause in the case of a customs union. Thus, the Swiss Government would seem to recognize that its only recourse will be the denunciation of existing treaties and the negotiation of new treaties if the facts, when known, justify such a course.

I also call attention to the fundamental policy of Switzerland which is touched on in this article, namely, their desire that no one of their

[7] Neither printed.
[8] Not printed.

great neighbors shall touch its territory on more than one frontier (the Swiss always speak of their four frontiers, French, German, Austrian and Italian), and their uneasiness at the possibility that the Austro-German union might bring about their envelopment on two frontiers by one of the great Powers.

There is every reason to suppose that the Swiss Government will await more detailed information as to the nature of this union before making up its mind to take any steps in regard to it. They will also, of course, await a more definite development of the attitude of the great Powers in this connection.

I have today had a conversation with Doctor Walter Stucki, Director of the Department of Public Economy and probably the most deeply versed of any one on this continent in the application of "most favored nation" clauses. Doctor Stucki is of the opinion that if there is a true customs union between Germany and Austria, Switzerland will have no ground for protest or for demanding the same privileges. But the weakness of certain Austrian industries is such that Doctor Stucki believes that it will be found essential to maintain a measure of protection for them against German competition to prevent their collapse. The resulting arrangement will then be a "preferential agreement" and not a real "customs Union". If this is the case, Switzerland, according to Doctor Stucki, will make vigorous protest at its exclusion from similar preference.

Respectfully yours, HUGH R. WILSON

662.6331/141

The Chargé in the Netherlands (Johnson) to the Secretary of State

No. 577 THE HAGUE, April 16, 1931.
[Received April 25.]

SIR: With reference to my despatch No. 564, of March 31, 1931,[9] I have the honor to report that I have had further conversations with members of the Foreign Office regarding the proposed Austrian-German customs union. Although the remarks made to me were casual, fragmentary and vague and dealt in part with remote eventualities, I am giving them below as of possible interest to the Department.

The German-Austrian action has acted as a tonic to Europe and has opened up new lines of thought. While German lawyers inserted the clause in the proposed agreement affirming the readiness of Germany and Austria to enter into similar negotiations with every other state so desiring, with the primary object in view of lessening the

[9] Not printed.

force of the objections which would surely be raised by France, this clause may have far-reaching results.

It is quite possible that Hungary will wish to join the customs union and will be permitted to do so. Italy's attitude is ambiguous and it is not inconceivable that she as well may consider membership. If other countries join the proposed economic union it would have less political significance than a purely Austrian-German agreement. My informant's opinion differs here from the French point of view expressed in the current issue of the "Revue des Deux Mondes", which envisages the entry of Hungary and Rumania into the customs union and thus the construction of an economic and political mid-European block.

The Dutch Legations in Berlin and Paris have reported that nothing is known as to what may prove the final attitude or action of France in the premises. I have been informed from another confidential source, however, that Briand is of the opinion that it is not unlikely that the whole matter will come before the International Court.

The Netherlands could not for political reasons join in any customs union dominated by Germany. Such action would result in the loss of Dutch independence of action and make of Holland an appendage of the central powers. This country cannot in fact affiliate itself in any way with either the German or French group, for to do so would involve her in difficulties with the other group. She must therefore stand alone. Holland would view the situation differently, however, in the not impossible eventuality that France should in the future become a member of a middle European customs union. In that case political considerations would not deter Holland but the economic side of the question would require lengthy study. If this country joined any such customs union, her whole free trade policy would have to be given up in favor of the higher tariffs of the larger members of the union. While Holland would then possess the great advantage of selling her agricultural products in Germany without the present tariff obstacles, she would have to pay far more for anything bought outside the countries belonging to such a union.

Belgium now realizes that she is bound too closely to France and therefore desires a closer friendship with Holland and for the same reason asked to be allowed to adhere to the Oslo Commercial Convention.[9a] Several months ago a movement was started by the Belgian Catholic Party in favor of a customs union with Holland. Certain Belgian Socialists are now supporting this idea as a direct answer

[9a] Convention of Economic Rapprochement between the Economic Union of Belgium and Luxembourg, Denmark, Norway, the Netherlands and Sweden, signed at Oslo, December 22, 1930, League of Nations Treaty Series, vol. CXXVI, p. 341.

to the Austro-German plan. There are almost insuperable practical objections, however, to any such union taking place.

I have also had a conversation with Dr. Joost A. van Hamel who, as well as having been High Commissioner at Danzig, has served on the Legal Secretariat of the League of Nations and was one of the advisers of the Council when the 1922 Protocol was drawn up. He states that the wording of the Protocol was intended to prevent Austria from forming a customs union with any country and that this fact was clearly recognized by the Council at the time.

As regards the violation of the most-favored-nation clause by the proposed customs union, it is believed in official circles here that the so-called European case law on this subject proves that no such violation exists.

Respectfully yours, HALLETT JOHNSON

655.5631/1

The Chargé in the Netherlands (Johnson) to the Secretary of State

No. 583 THE HAGUE, April 21, 1931.
[Received May 2.]

SIR: With reference to the last paragraph of my despatch No. 577 of the 16th instant, and to the Memorandum of the Press Conference which took place in the Department on March 26th in which the Secretary referred to "the question of the relation of an unconditional most-favored-nation treaty to a customs union", I have the honor to report that I have been informed at the Foreign Office that the text of the commercial treaty between Holland and Belgium of 1863,[10] together with the Protocol of 1865,[11] amounted to the reciprocal granting of unconditional most-favored-nation treatment and that altho the customs union between Belgium and Luxemburg took place long after the negotiation of this treaty, the Dutch Government did not feel entitled in any way to protest against it on the ground of the violation of unconditional most-favored-nation clause.

In many Dutch treaties, including the treaty of 1925 with Germany, (Art. 2, Paragraph 2),[12] a possible customs union is made a specific exception to the most-favored-nation clause. The government is, moreover, always ready to make such an exception in any treaty and feels that it has no moral right to protest against a customs union even though the exception has been omitted in a specific case. Thus

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[10] Convention of Commerce and Navigation, May 12, 1863, *British and Foreign State Papers*, vol. LIII, p. 208.

[11] *Traités de commerce et de navigation . . . entre la Belgique et les Pays Etrangers* (3d ed., Braine-le-Comte, 1900), p. 288.

[12] Treaty of November 26, 1925, Additional to Treaty of December 31, 1851, League of Nations Treaty Series, vol. LVII, p. 155.

while the existing commercial treaty between Holland and Austria does not contain the exception, the government feels that it has no grounds for a protest as it considers the exception is implied.

Dr. Nederbragt, the Chief of the Economic Section of the Foreign Office, has told me that he has discussed the above question with the Minister for Foreign Affairs in connection with the proposed Austrian-German customs union and that the attitude described above represented their joint opinion. He added that were it otherwise, Holland would make no protest because such action would be of no practical use.

The opinion of Mr. Beucker Andreae, the Chief of the Legal Section of the Foreign Office, coincides with those given above. Mr. Beucker Andreae, however, informs me that he has not had the opportunity to make a study of the matter and is not prepared as yet, therefore, to justify the Austrian-German action on purely legal grounds.

Respectfully yours, HALLETT JOHNSON

662.6331/171 : Telegram

The Ambassador in France (Edge) to the Secretary of State

PARIS, May 13, 1931—10 a. m.
[Received 10:25 a. m.]

255. My 242, May 8, 3 p. m.[13] An official of the French Foreign Office yesterday afternoon gave to a member of the Embassy staff a confidential memorandum which is represented to contain the French plans for opposing the Austro-German Customs Union and which also gives interesting information regarding the French attitude to the most-favored-nation clause. The French text of this memorandum was forwarded to the Department in despatch No. 1515 of May 12.[13] A copy of it has also been given to Mr. Hugh Wilson who is now in Paris so that he may have it before the Geneva meeting on Friday. It follows the general lines foreshadowed in my telegram under reference and may be summarized as follows:

The Austro-German agreement is of a political character, a preface to the *Anschluss*, and therefore contrary to the treaties. It is contrary to Austria's undertaking in the 1922 protocol and tends to weaken the security for the 1922 loan to Austria guaranteed by France with other countries. The French Government therefore expects the plan will be condemned by the Council of the League of Nations and abandoned.

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[13] Not printed.

France will present at Geneva a constructive plan which it believes will solve the most urgent European problems and give Germany and Austria the relief they claim to obtain from the Customs Union.

1. *Danube Cereal Surplus.* France will support a system of preferences for the exporting states, being convinced now that the sacrifice which this measure would represent for overseas countries and the infringement of the most-favored-nation clause involved would be insignificant. If these exporting states should offer some benefits in return these benefits would not have a preferential character but must be extended unconditionally to all states receiving most-favored-nation treatment. Only thus can the scheme gain the support of overseas countries or at least avoid formal opposition from them. Precautions must be taken to prevent these measures increasing the production of Eastern Europe and to insure that the whole benefit provided for goes to the producers. It is proposed that the exporting countries should organize a body authorized to make contracts in their name and that the importing countries should agree among themselves as to the preferential system to be offered.

2. *Industrial Cartels.* General formulas applied to commerce have failed (conventions against prohibitions of imports, customs truce, Geneva commercial convention). On the other hand, plans for organizing markets and restricting competition have succeeded when they dealt with clearly determined categories of products (rails, steel, rolling stock, electric appliances, chemical products and sugar). The French Government will advocate similar plans for other products especially certain textiles, glassware, coal, wheat, corn and wood.

It will be proposed that when the European market for a commodity is organized each country shall agree to receive at a reduced rate of duty a specified quantity of the commodity from each producing country. The amounts to be received from each country at this reduced rate must be equal. This last provision is probably to comply with the most-favored-nation clause. France has already commenced negotiations on this basis with Germany, Belgium, Czechoslovakia and Italy as regards automobiles.

3. *Need for Credits in Eastern and Central Europe.* This is to be (merely an?) organization of land credit already proposed at Geneva to be completed with an organization for short-term land credit under the auspices of the League of Nations. France is also prepared to introduce new European securities on the Paris Bourse and is discussing with the British Treasury the financing of production.

4. *Special Needs of Austria.* The principal clients of Austria would be invited to conclude agreements offering a preferential tariff for specified quantities of certain Austrian products, any advantage

offered in return by Austria to benefit equally all states entitled to most-favored-nation treatment.

The French Government accepts the two infringements of the most-favored-nation clause in paragraphs 1 and 4 in each case to meet a crisis of an essentially temporary character. It does not believe that the special advantages accruing to Central European or Austrian products should constitute a permanent system.

The memorandum concludes:

"These considerations are of capital importance in the eyes of the French Government which is anxious to indicate in what spirit and under what conditions it regards the exceptions to the most-favored-nation clause which are foreshadowed. The French Government is faithfully attached to the principles of this clause and considers its maintenance and its application as a guarantee of peace, its abandonment as a danger which might bring Europe not to a more perfect form of organization but to chaos."

EDGE

662.6331/204

The Minister in the Netherlands (Swenson) to the Secretary of State

No. 18 THE HAGUE, May 18, 1931.
[Received May 29.]

SIR: I have the honor to refer to the Department's instruction No. 4, of April 28th, last,[15] in which the Legation was instructed to forward any further information obtainable with regard to the bearing of so-called European case law on the construction of the most-favored-nation clause in its relation to the proposed Austro-German customs union.

The Legation's despatch No. 583, of April 21st, and the third paragraph of despatch No. 13, of May 6th,[16] report upon this question.

Mr. Johnson took the occasion today to continue his conversations with Mr. van Kleffens, Chief of the Diplomatic Section of the Foreign Office, and Mr. Beucker Andreae, the Chief of the Juridical Section, and gathered that the following opinions represent the present point of view of the Foreign Office.

A customs union between two countries is the merging of the economic identity of these countries and the unconditional most-favored-nation clause does not bear upon the new unit. The clause was not drafted with any such end in view. Thus Holland saw no reason to protest against the customs union between Belgium and Luxemburg on account of the most-favored-nation clause which forms

[15] Not printed.
[16] Latter not printed.

a part of her commercial treaty with Belgium. The Foreign Office would see no ground for protest against any union exactly similar to the one referred to above. The proposed German-Austrian union, however, will have to be considered on its merits. No draft of the proposed union has as yet proved obtainable. If the draft provides for intermediary tariffs between Germany and Austria it is possible that grounds for a protest exist and while the most-favored-nation clause cannot be held to apply to a merging of economic identities, it may be argued that it does apply to the mere agreement for an intermediary tariff.

The only previous case cited by the Foreign Office is the Belgium-Luxemburg customs union. There seems to be no doubt in the minds of the above mentioned officials, however, that a complete customs union forms an implied exception to most-favored-nation treatment.

Respectfully yours, LAURITS S. SWENSON

840.00/320 : Telegram

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

GENEVA, May 18, 1931—3 p. m.
[Received 4:40 p. m.]

65. The Austro-German project came before the Council this morning.

Henderson[17] proposed that the Council seek an advisory opinion from the Permanent Court of International Justice on the juridical questions involved in the relationship between the Austro-German project and Protocol No. 1 of 1922 and article 88 of the Treaty of Saint Germain. He requested Austria categorically to withhold further steps in the matter pending a decision by the Council following its receipt of the advisory opinion. He added that the Court would be requested to take up this subject immediately.

Schober, while setting forth in detail Austria's contention that the proposed customs union would not conflict with the treaty obligations cited above, accepted the British proposal without reservations.

Briand and Grandi,[18] while reserving their positions respecting the political and economic aspects of the situation, also accepted the reference of its juridical factors to the Permanent Court under the conditions stipulated. Curtius[19] likewise acquiesced, his speech supplementing that by Schober.

It was evidenced that this adjustment had been worked out in private conferences previous to the meeting and it is understood that

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[17] Arthur Henderson, British Secretary of State for Foreign Affairs.
[18] Dino Grandi, Italian Minister for Foreign Affairs.
[19] Julius Curtius, German Minister for Foreign Affairs.

Henderson's influence with Schober was largely responsible for the result.

GILBERT

840.00/323 : Telegram

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

GENEVA, May 19, 1931—6 p. m.
[Received May 19—5:09 p. m.]

67. Consulate's number 65, May 18, 3 p. m. Discussion of project for Austro-German Customs Union was concluded in this morning's session of the Council.

Beneš [20] while acquiescing in the submission of the judicial question to the Permanent Court, stated his view of the impossibility of isolating the juridical from the political and economic factors involved.

Marinkovitch [21] took the view that despite Germany's contention that the proposed union is strictly economic it has political aspects which come within the competence of the Council regardless of the legal decision rendered.

Curtius in his reply showed a resentment of what amounted to attacks on Germany's position and a questioning of good faith of her intentions on the part of previous speakers.

Briand and Hymans [22] struck a conciliatory note and the British proposal to refer the question to the Court was adopted; it is evident that a great deal is going on behind the scenes. While many are willing to offer an explanation the question is so wide in its implications and has so many ramifications it is doubtful if anybody in Geneva fully knows what understandings are being made between the powers.

While each side still upholds its belief that the decision of the Court will follow their own public expressions in this respect, neutral opinion seems to be that the Court cannot afford to give the semblance of being influenced by political considerations and that in the strictly legal points involved Austria and Germany have somewhat the better case.

If Germany and Austria should win the decision all powers have nevertheless carefully reserved their position on all but the strictly legal side of the question. This means that the political aspects of the case will come before the Council after the Court has rendered its decision. As already reported, a number of powers have exposed their opposition to the project from its political aspects. What position Germany will then take is of course yet obscure. On the other hand if the case goes against Austria and Germany it is believed that these

[20] Eduard Beneš, Czechoslovak Minister for Foreign Affairs.
[21] Voyislav Marinkovitch, Yugoslav Minister for Foreign Affairs.
[22] Paul Hymans, Belgian Minister for Foreign Affairs.

powers have ready a solution which, while giving up the Customs Union idea will by means of arrangements between commercial and other interests, accomplish a large proportion of what is being sought under the Union.

GILBERT

662.6331/203

The Minister in the Netherlands (Swenson) to the Secretary of State

No. 22 THE HAGUE, May 21, 1931.
[Received May 29.]

SIR: I have the honor to report that the Counselor of this Legation was informed last night by the President of the Permanent Court of International Justice that the Court would probably convene at the end of June for the purpose of considering the legal aspects of the proposed German-Austrian customs union. Mr. Adatci stated that the question could not be taken up before that date as every country interested must be given all the time desired for the presentation of briefs. It is hoped that a full panel of the Court will sit and this, together with the judges *ad hoc*, will result in an unusually numerous bench.

The President furthermore stated that whether the question of the relation of the unconditional most-favored-nation clause to a customs union would come before the Court would depend on whether this question was raised in any of the briefs presented.

In conclusion Mr. Adatci remarked that he had a full realization of the vast importance of this case and that the Court would ask for provisional opinions from each judge upon the receipt of the written arguments and would thereafter give ample time for full discussion of every point involved in the hope of obtaining something like a unanimous decision.

Respectfully yours, LAURITS S. SWENSON

662.6331/261

The Solicitor for the Department of State (Hackworth) to the Secretary of State

[Extract]

[WASHINGTON,] June 12, 1931.

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CONCLUSIONS

The logical conclusion, therefore, would seem to be that, since certain exceptions to the most-favored-nation provisions were made

in the treaties with Germany and Austria and such exceptions do not include customs unions, we would be entitled to claim from Germany whatever advantages she may extend to Austrian trade and commerce, and to claim from Austria whatever advantages may be extended by that country to trade and commerce with Germany.

The fact that the contracting parties undertook to make exceptions to the obligation to extend unconditional most-favored-nation treatment in customs matters and made no exception with respect to a possible customs union would seem to preclude the possibility of regarding such an arrangement as an exception to the most-favored-nation provisions on the basis of the principle *inclusio unius exclusio alterius*. The whole purpose of these treaties (and I speak from personal knowledge, since I participated in the negotiations) was to remove all possible grounds for discrimination against American commerce and trade.

If it be admitted that the favored-nation clause has no application to favors granted under a customs union between Germany and Austria, there would be nothing to prevent the whole of Europe from entering into a general customs union and thus depriving us of all of the advantages sought to be obtained through the unconditional most-favored-nation clause in our various treaties.

Some effort has been made to justify the proposition that customs unions are outside the purview of favored-nation clauses by referring to such unions as "economic units", as distinguished from "political units", and regarding them as effecting the abolition of "customs frontiers". It is easy enough to understand how these so-called "economic units" would be effective as against favored-nation clauses if there were also political unions between the States, but it is not believed that so long as the States concerned maintain their separate political positions in the family of nations they can defeat provisions in their treaties designed to establish equality of treatment in customs matters by uniting for these purposes alone. Treaties are concluded with the "political entity" representing the State, as distinguished from any "economic unit" or "union", and unless they expressly take cognizance of so-called economic unions, such unions are not, it is believed, excepted by implication from the operation of the terms of the treaty.

Thus far the whole question is purely hypothetical. It may never become necessary for us to state our position. The right of Germany and Austria to enter into a customs union, in view of provisions of the treaty of St. Germain (Article 88) and of the Geneva Protocol of October, 1922, has been questioned by certain European countries and the question has been submitted to the Permanent Court of International Justice for an advisory opinion.

Article 88 of the treaty of St. Germain provides—

"The independence of Austria is inalienable otherwise than with the consent of the Council of the League of Nations. Consequently Austria undertakes in the absence of the consent of the said Council to abstain from any act which might directly or indirectly or by any means whatever compromise her independence, particularly, and until her admission to membership of the League of Nations, by participation in the affairs of another Power".

The Protocol of 1922 reads in part as follows:

"The Government of the Federal Republic of Austria . . . undertakes, within the terms of Article 88 of the Treaty of St. Germain, not to alienate its independence; it will abstain from every economic or financial negotiation and engagement which might be of a nature to directly or indirectly compromise this independence.

"This undertaking is not opposed to the conservation by Austria, under the reservation in the provisions of the Treaty of St. Germain, of its liberty in matters of customs tariffs and commercial or financial accords, and, in general, in all which touches its economic régime or its commercial relations, it being understood, however, that it will not prejudice its economic independence by the grant to any State whatsoever of a special régime of [*or?*] exclusive advantages, of a nature to menace this independence".

Whatever the outcome may be it seems improbable that any action will be required by this Government within the very near future.

GREEN H. HACKWORTH

662.6331/273 : Telegram

The Chargé in Austria (Swift) to the Acting Secretary of State

[Paraphrase]

VIENNA, August 31, 1931—4 p. m.
[Received August 31—3 : 15 p. m.]

100. The Legation has been informed by the French Minister that Vice Chancellor Schober, prior to his departure to attend the League meeting at Geneva, stated that the Austrian Government had decided to abandon the idea of a customs union with Germany in view of prevailing conditions in Europe and that the League of Nations would be notified. The Austrian Government desires that a similar declaration be made by Germany.

Rumor has it that on returning from the meeting at Geneva, Schober will resign his place in the Cabinet for the reason that his position will be decidedly weakened without the support of the pan-German element. It is also rumored that Seipel[23] will probably succeed him.

SWIFT

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[23] Dr. Ignaz Seipel.

662.6331/275 : Telegram

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

GENEVA, September 3, 1931—4 p. m.
[Received September 3—2:30 p. m.]

106. Consulate's 67, May 1 [*19*], 6 p. m. This morning Schober in a statement made in public session of Commission for European Union outlined the situation with respect to Austrian commercial policy in its relation to European cooperation and made the following declaration concerning the Austro-German Customs Union:

"The Austrian Government saw from the events of the past months that, contrary to their intentions, difficulties might arise in the way of trusted cooperation of European nations through the application of the Customs Union scheme; therefore, the Federal Government in whose opinion the interest in this cooperation is closely connected with the interest of Austria, declared that they resolve to pursue no further the project of the Customs Union".

This declaration was followed by a speech [by] Curtius who stated that irrespective of the decision of the Permanent Court Germany and Austria had decided to pursue no further the Customs Union project in view of the more general plan for European cooperation now before the Commission as set forth in the reports of the subcommittees, particularly that of the Committee of Economic Experts which he felt gloved [*sic*] as a final goal the establishment of a European Customs Union.

The French, Italian and Czechoslovak delegates expressed appreciation of the spirit animating these declarations and laid stress upon the influence that this decision would have in restoring confidence in Europe and on the development of European cooperation.

It is generally believed here that Schober's declaration is made with fore-knowledge of a Permanent Court decision unfavorable to Austria.

GILBERT

662.6331/277 : Telegram

The Chargé in the Netherlands (Johnson) to the Acting Secretary of State

THE HAGUE, September 5, 1931—11 a. m.
[Received September 5—6:38 a. m.]

29. My telegram No. 28, September 3, 10 a. m.[24] Court decides by eight votes to seven Customs Union not compatible with Geneva Protocol.

JOHNSON

[24] Not printed.

662.6331/284

The Chargé in the Netherlands (Johnson) to the Secretary of State

No. 120 THE HAGUE, September 9, 1931.
[Received September 18.]

SIR: With reference to my despatch No. 101, of August 25th,[25] and in confirmation of my cable No. 29, of September 5, 10 [*11*] a. m., I have the honor to report that on September 5th the Permanent Court of International Justice gave its opinion by eight votes to seven that a regime established between Germany and Austria, on the basis and within the limits of the principles laid down by the Protocol of March 19th, 1931, would not be compatible with Protocol No. I signed at Geneva on October 4th, 1922.

The majority opinion was concurred in by the following judges: Guerrero (Salvador), Rostworowski (Poland), Fromageot (France), Altamira (Spain), Urrutia (Colombia), Negulesco (Rumania), de Bustamante (Cuba), and Anzilotti (Italy).

Guerrero, Rostworowski, Fromageot, Altamira, Urrutia and Negulesco, while concurring in the above opinion, declare that, in their opinion, the regime of customs union projected by the Austro-German Protocol of March 19, 1931, since it would be calculated to threaten the independence of Austria in the economic sphere, would constitute an act capable of endangering the independence of that country and would, accordingly, be not only incompatible with Protocol No. I of Geneva of October 4, 1922, but also and in itself incompatible with Article 88 of the Treaty of Saint Germain of September 10, 1919.

Judge Anzilotti, while he concurred in the operative portion of the majority opinion, declared that he was unable to agree in regard to the grounds on which it was based and accordingly delivered a separate opinion.

What serves therefore as the majority opinion is in reality only the opinion of one man, Judge Bustamante.

A joint dissenting opinion was delivered by Adatci (Japan), Kellogg (United States), Rolin-Jaequemyns (Belgium), Cecil Hurst (Great Britain), Schücking (Germany), van Eysinga (Netherlands), and Wang Chung-Hui (China) to the effect that the proposed regime between Germany and Austria would be compatible with both Article 88 of the Treaty of Saint Germain and with Protocol No. I signed at Geneva on October 4, 1922.

A sentence worthy of note in the dissenting opinion (page 23) and probably attributable to Judge Kellogg reads as follows:

[25] Not printed.

"The Court is not concerned with political considerations nor with political consequences. These lie outside its competence." [26] (My despatches No. 433, December 17, 1930, and No. 498, January 31, 1931.)[27]

A full text of the various opinions is being forwarded in this pouch.[28]

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Respectfully, HALLETT JOHNSON

ATTENDANCE OF AN UNOFFICIAL AMERICAN OBSERVER AT MEETINGS OF THE CONFERENCE OF AMBASSADORS

763.72119/12448

The Ambassador in France (Edge) to the Secretary of State

[Extract]

No. 1170 PARIS, January 16, 1931.
[Received January 28.]

SIR: I have the honor to inform the Department that the 327th meeting of the Conference of Ambassadors was held at the Quai d'Orsay on January 12th last.

While in its telegram No. 243, May 7, 1921,[29] the Ambassador at that time was instructed by the Department to resume his place as unofficial observer on the Conference of Ambassadors for the purpose of making reservations for reference to the Department on decisions affecting the interests of the United States, etc., I find that my predecessor [30] for some years prior to his death had discontinued attending personally, sending a representative of the Embassy to act in his place. Feeling that the presence of the Ambassador, after so many years absence, might be misinterpreted as possibly showing a reawakened interest in an organization which, after all, is almost defunct, (the meetings were originally held once a week, then once a month, and now occur only once or twice a year,) I decided to follow the precedent established by my predecessor and accordingly sent the Counselor of the Embassy.[31]

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Respectfully yours, WALTER E. EDGE

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[26] Permanent Court of International Justice, Series A./B., Fascicule No. 41, *Customs Regime Between Germany and Austria*, p. 75.
[27] Neither printed.
[28] For texts of the several opinions, see Permanent Court of International Justice, Series A./B., Fascicule No. 41, pp. 37 ff.
[29] *Foreign Relations*, 1921, vol. I, p. 14.
[30] Myron T. Herrick.
[31] Norman Armour.

763.72119/12452

The Ambassador in France (Edge) to the Secretary of State

PARIS, February 3, 1931.
[Received February 11.]

MY DEAR MR. SECRETARY: I have been very much interested in reading the mimeographed account of your conference with the press on January 14th last, in which, under the heading "Armaments", I see that you were quizzed by the correspondents regarding Armour's attendance at the Conference of Ambassadors on January 12th.

I remember when I was in Washington your telling me that it is quite impossible for you to see the reports on various subjects from the fifty-five odd missions and you suggested that, in case of any despatch in which I thought you might be interested, I should bring it to your particular attention. It occurs to me that you may not have seen my despatch No. 1170 of January 16, 1931, in which I reported the meeting of the Conference of Ambassadors and the reasons why I did not attend and why Armour did. As stated in the despatch, our attendance at the meetings of the Conference as observers is in accordance with instructions from Washington, which, so far as I know, have never been reversed. Having found, however, that Herrick had discontinued attending the meetings some years before his death and had been in the habit of sending the Counselor of the Embassy to represent him, I followed the same practice, which accounts for Armour's attendance. Of course he took no part in the meeting, merely was present and prepared a report for me which I forwarded to the Department as to what transpired.

As I could not have anticipated that the press would seize upon this minor incident to use their inquisitional methods upon you, I thought my written despatch was all that the occasion merited. This despatch, I find, although dated January 15th [*16th*], did not leave the Embassy until January 20th as there was no pouch until that date, so it could not have reached Washington much before January 26th or 27th.

We are glad to see from a telegram we received to-day that Cotton [32] is making slow but satisfactory progress. Please give him my best wishes for a speedy recovery when next you see him.

Very sincerely yours, WALTER E. EDGE

[32] Joseph P. Cotton, Under Secretary of State.

763.72119/12452

The Secretary of State to the Ambassador in France (Edge)

WASHINGTON, February 18, 1931.

DEAR MR. AMBASSADOR: I appreciate having your letter of February 3, 1931, concerning Armour's attendance at the Conference of Ambassadors on January 12. It was of course the natural thing for you to have Armour attend this meeting. However, since this organization of the Allied or Associated Powers is almost defunct it might have been a good time for us to have dropped out of even limited participation. I think it would be advisable to let future meetings go unattended unless there should be some very particular reason of American direct interest, which I do not see at the moment, for attendance.

Sincerely yours, HENRY L. STIMSON

[In a letter of March 3, 1931, Mr. Armour inquired of Mr. J. Theodore Marriner, Chief of the Division of Western European Affairs, whether Mr. Stimson's letter of February 18 was to be considered as countermanding officially the instruction contained in the Department's telegram No. 243, May 7, 1921. In reply Mr. Marriner wrote on April 11: "I think that the Department would rather let the instruction of May 7, 1921 stand as it is and have it more or less understood that it will be left to the Embassy's discretion whether someone should or should not attend future meetings of the Conference of Ambassadors." (763.72119/12462)

The Conference of Ambassadors apparently ceased to meet at this time.]

TENSION ARISING FROM GERMAN-POLISH RELATIONS WITH RESPECT TO THE POLISH CORRIDOR, DANZIG, AND EAST PRUSSIA

760C.60K/123 : Telegram

The Consul at Danzig (Perkins) to the Secretary of State

DANZIG, April 11, 1931—2 p. m.
[Received April 11—10:35 a. m.]

The High Commissioner of the League of Nations informs me during the past few weeks he has received from the Polish Commissioner General a number of complaints concerning alleged physical attacks on Polish citizens in most cases by members of Hitler party. Danzig police have made no arrests and have denied most of the Polish allegations. Polish Commissioner General demands protection of Polish citizens. The High Commissioner considers the situation most seri-

ous. He has obtained promise of a thorough investigation from the President of the Senate and has suggested that a committee composed of the American, British and the Belgian Consuls be asked to investigate incidents in which Danzig and Poland cannot agree as to the facts. This suggestion will be submitted to the Senate and the Polish Government. Am I authorized to accept an invitation to serve from the High Commissioner?

PERKINS

760C.60K/123 : Telegram

The Secretary of State to the Consul at Danzig (Perkins)

WASHINGTON, April 15, 1931—5 p. m.

Your April 11, 2 p. m. You should not accept an invitation to serve on investigating committee.

In general Department desires that you carefully avoid becoming involved in any way in controversies arising between Polish and Danzig authorities.

STIMSON

760C.60K/124 : Telegram

The Consul at Danzig (Perkins) to the Secretary of State

DANZIG, April 16, 1931—noon.
[Received April 16—9 a. m.]

The Department's April 15, 5 p. m., has been received.

Invitation will not be accepted and probably will not be issued as the Senate is reported to be unwilling to accept the proposal.

PERKINS

760C.6215/534

Memorandum by the Secretary of State of a Conversation With the Polish Ambassador (Filipowicz)

[WASHINGTON,] June 9, 1931.

The Polish Ambassador called today and told me that he had intended to go away but decided to stay after the receipt of our note, in order to effect the ratification of the Treaty with this country.[32a]

The Ambassador then said he wanted to speak to me, in view of my trip, about certain problems in Europe, and he brought up the question of East Prussia. He said that we heard everywhere of the question of the Polish Corridor; that it was really another name for the actual difficulty, which was East Prussia. He said that East Prussia

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[32a] Treaty of Friendship, Commerce and Consular Rights, signed June 15, 1931, vol. II, p. 924.

had not been wholly disarmed at the time of the War, and it was a menace to Poland. He brought out a map to show me how it lay. On the other hand, Germany, when she complained about the Corridor, was really fearful about the fate of East Prussia, which was separated from her by the Corridor; that the situation was one of virtual fear. I asked the Ambassador what could be done about it. He said he thought there should be an international agreement, similar to the Locarno Agreement [33] which protected the boundary of Germany and France on the west; that under this agreement Germany would be protected by the various nations as to the safety of East Prussia and in return for this East Prussia should agree to disarm.

The Ambassador concluded with a request that I visit Poland. I told him I was afraid I would not have sufficient time on this trip.

H[ENRY] L. S[TIMSON]

760C.6215/545 : Telegram

The Ambassador in Poland (Willys) to the Secretary of State

WARSAW, October 15, 1931—6 p. m.
[Received October 15—5 : 45 p. m.]

105. Minister of Foreign Affairs expresses concern over campaign in the United States in respect of Corridor question which in turn is having disquieting effect upon public opinion in Poland. He asks me to appeal to you to use your influence with the American press to abate this disturbing publicity.

WILLYS

760C.6215/555

The Ambassador in Poland (Willys) to the Secretary of State

No. 1025 WARSAW, October 20, 1931.
[Received October 30.]

SIR: Confirming my telegram No. 105 of October 15, 6 P. M. I have the honor to report that much concern is felt by the Polish Government over the attitude of the American press in respect of Polish-German frontiers. Recent articles in the *Baltimore Sun*, the Washington *Star* and the *New York Times*, have particularly wounded Polish sensibilities.

In conversation with M. Lipski, Acting Polish Director of the Foreign Office (he discussed the matter with me on behalf of M. Zaleski, who is ill), I reminded him that there was no effective means

[33] See Great Britain, Cmd. 2435, Miscellaneous No. 7 (1925) : *Papers Respecting the Proposals for a Pact of Security Made by the German Government on February 9, 1925.*

in the United States of controlling expressions of opinion on the part of the press. Mr. Stimson, I continued, had, however, only recently informed press representatives at the Department of State that the question of Polish-German frontiers was a purely European problem, in which the American Government had no direct interest. I professed to be happy though to comply, for whatever purpose it might serve, with M. Zaleski's request that I appeal to the Secretary for his intervention. I thereupon despatched the telegram referred to above.

The Polish Government is afraid that repercussions in the Polish press from American newspaper articles favoring the revisionist thesis, may have a disturbing effect on Polish public opinion.

The belief obtains in Poland that the United States is so concerned over the security of its financial commitment in Germany that American influence is being aligned on the side of the Reich as against Poland.

Press despatches from America reporting that conferences had taken place between the President, Secretary Stimson and the late Senator Morrow, in which the "Corridor" was discussed, were looked upon in Warsaw as confirmation of these forebodings.

The fact that adverse American publicity on the subject of the "Corridor" has so immediately preceded the departure for Washington of M. Laval, has also contributed to Polish preoccupation over this visit. It is obviously expected that the "Corridor" may form one of the subjects of conversation at Washington.

Polish reserve in respect of France's policy and doubtless knowledge too that France would joyfully be rid of responsibility in respect of the Polish Western frontier, coupled with suspicion of the American attitude towards Germany, contribute to make Poland somewhat cautious in respect to what may take place in the United States in the course of the present Franco-American discussions.

Poland, however, doubtless maintains the hope that despite an obdurate attitude against any concession therefor, a political "détente" with Germany may eventually become possible. It is moreover, only natural that Polish policy will be directed to obviate all possible risk of a "bargain" for an Eastern "Locarno" or even a political truce being struck between France and Germany at Poland's expense.

As political relaxation between Poland and Germany is so widely accepted as one of the primary requisites for any effective Franco-German cooperation, it is expected in Poland that in course of time France and perhaps also the United States will find it advisable for the general good to make such concessions to or exert such pressure on Germany as will eventually induce the Reich to accept a stabilization of the East without Poland's being called upon to make any sacrifice.

The Polish attitude towards general European problems which concern both Poland and the former Associated and Allied Powers derives

from the success with which Poland formulated its national aims during the Peace Conference, the ability with which Poland drew advantage from divergent French and British policies and the sanction which Poland was able to obtain in respect of the status of both Eastern Galicia and Vilno. Moreover, Poland takes pride in the fact that the national economy has been stabilized on such a low level that the country is practically immune from financial pressure from abroad. *La faiblesse fait la force!* Therefore, to induce Poland to yield, if only in respect of direct Reich–East Prussian communications, would require adroit manipulation and strong French pressure. Any change in cartographic coloration, with the possible exception of Danzig, would hardly be feasible in any contemplated compromise. Probably even an internationalization of the Danzig–Lauenburg railway would be denounced in Poland as another partition of the country.

For such interest as it may present, I may add that the new Italian Ambassador, Signor Vannutelli Rey, is devoting energy and attention to a study of the "Corridor" question.

In conversation with a member of the Embassy, he stressed the importance for the world in general and Franco-German relations in particular, of a solution of this problem. Signor Vannutelli Rey added that he had been assured on all sides that Poland would sacrifice its last drop of blood to defend the "Corridor" from any encroachment whatsoever. He quite accepted these protestations but only up to a certain point. Asked what this point was, he laconically replied: "Money".

Respectfully yours, JOHN N. WILLYS

760C.6215/550

Memorandum by the Under Secretary of State (Castle) of a Conversation With the Polish Ambassador (Filipowicz), October 22, 1931

The Ambassador told me he had, shortly before leaving Poland, a long talk with Marshal Pilsudski,[33a] who had instructed him to tell the President about the political situation. The Ambassador saw the President yesterday and put up to him substantially the following:

Ever since the war the Germans have been carrying on more or less vigorously anti-Polish propaganda, generally taking the question of the corridor as a point of departure to interfere wherever possible in Polish affairs. This has gone on so long that the Poles are becoming really worried. As examples of this propaganda the Ambassador gave the following, adding that he was only touching the surface.

[33a] Joseph Pilsudski, Polish Minister of War.

(1) It is known that the Germans have been directly implicated in the troubles in the Ukraine for independence. The Polish Government has in its possession documents signed by members of the German Foreign Office to the Ukrainian leaders making suggestions as to what they should do. Some of these documents were secured by a correspondent of the London *Times* and have been published in the *Times*.

(2) There is, of course, continual propaganda in the form of speeches made by important members of the German Government as to the iniquity of the corridor.

(3) The recent extension of the Rappallo treaty between Germany and Russia [34] is directed against Poland for the purpose of preventing the importation of arms and ammunition into Poland from abroad in case of war with either Germany or Russia.

(4) Factories in Russia producing airplanes, arms and ammunition are manned and managed by Germans, many of whom are members of the German army.

(5) The school books used by the German school children are full of misstatements intended to stir up feeling against Poland. All this, in the opinion of the Poles, is an attempt a long way ahead to bring about probable war.

(6) Whenever any attempt is made to establish good commercial relations with Germany, the Germans at the last minute back out and refuse to co-operate.

Marshal Pilsudski instructed the Ambassador to say that

1. Poland would not consider any settlement of the Polish corridor other than the maintenance of the *status quo*. Poland would absolutely refuse to enter into any discussion whatsoever of that subject with any neutral nation.

2. Poland believes that there is at almost any moment the danger of the invasion of Polish territory by German irregular troops. If this should occur, the whole Polish army would be immediately mobilized and march into Germany to settle the thing once and for all, and they would not be influenced by any action of the League of Nations or anyone else.

On the other hand, the intentions of Poland are purely pacific. Poland would like nothing better than to live on the most cordial terms with Germany, co-operate with Germany economically and politically, but has reached the point where the violent anti-Polish propaganda in Germany must be stopped if the peace is to be kept.

This was the extent of the Ambassador's communication to the President. He then told me a little of his own observations in Germany. He says that the amount of secret military preparation going on is very great. (This is pretty well corroborated from British and French sources.)

He says that he was amused while in Carlsbad to find that Germans whom he had known before and others whom he met this year were

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[34] Signed April 16, 1922, League of Nations Treaty Series No. 498, vol. XIX, p. 248.

filled with the Hitlerite ideas and were convinced that the ideal of *mittel-Europa* would be fulfilled and that the troubles economically in the world at present were due to the destruction of the late system.

He says that he saw a good deal of a group of German professors with whom he himself attended the school of economics, I think, in Berlin; that these professors told him that the whole spirit of Germany was becoming more and more militaristic; that when the children were graduated from the middle schools, the speeches almost always dwelt on the fact that death on the field of battle was the only honorable death. They told him that all the encampments of the Boy Scouts and of the children who go into the country in the summer, were built on a military basis with trenches and drills in order to train these young people to think in terms of war. He said that he was almost convinced from talking with the Germans themselves that if the Hitlerites should come to power there would be an immediate explosion.

W. R. C[ASTLE,] JR.

760C.6215/559

The Ambassador in Poland (Willys) to the Secretary of State

No. 1032 WARSAW, October 22, 1931.
[Received November 13.]

SIR: In despatch No. 1025 of October 20, 1931, I had the honor to inform the Department of the concern felt by the Polish Government over the tenor of recent articles in American newspapers which treated of the question of Polish-German frontiers.

M. Lipski, Acting Political Director of the Foreign Office, took occasion today to discuss the question at greater length with a member of the Embassy. He explained that in addition to the unfortunate effect of such publicity on public opinion in Poland, it was feared that press comment of this kind, if continued, would unfortunately influence the German point of view. This would be particularly regrettable at this time when far-reaching negotiations of the utmost general importance were pending (presumably he had reference to inter-governmental debts, reparation payments and disarmament).

M. Lipski went on to say that Poland has determined on a policy of appeasement and cooperation with Germany. Psychologically, revisionist sympathy from a quarter so influential as that of the United States made the fruition of such a policy more remote.

Recapitulating, M. Lipski explained that the aforesaid policy had found expression in the ratification by Poland of the commercial treaty, in great restraint both in redaction and press comment at the time of the Polish protest over the Breslau demonstration (*vide* despatch No. 800 of June 10, 1931 [34a]) and in respect of the proposed German-

[34a] Not printed.

Austrian customs union [35] and various other concrete instances. Moreover, Poland had exerted all possible influence, but in vain, to prevail upon Germany to continue the joint marketing agreement for rye; an innovation which had demonstrated the feasibility of agricultural cooperation between the two nations.

In respect of Germany, there is, of course, but the one major point of Polish policy: security of the common boundary. From the general nature of M. Lipski's observations, which covered a wide field, his conception of the Polish attitude toward Germany may be defined as follows: appeasement in the sense of conciliation but not of concession. This may be attributed less to reluctance to yield some minor material advantage to Germany than to apprehension lest Germany on acquiring any such advantage would feel encouraged to demand a "Hinterland" for it.

An Eastern Locarno or a prolonged political truce would solve, at least temporarily, Poland's paramount foreign political problem. It would do more than anything else to obviate the menace of an enduring and highly perilous sentiment of reconquest in Germany. On the other hand, a bilateral agreement to stabilize the existing frontiers would only be regarded by Germany as submission to an onerous servitude. The prospect therefore, of a facile adjustment on a mutually acceptable basis is indeed remote.

Sentiment is so aroused in Germany over the "Corridor" it is difficult to foresee how any German Government could enjoy sufficient authority to accept without compensation a stabilization of the Polish-German boundary. It is, therefore, to be hoped that Poland will not count on the nuisance value of the Corridor as alone adequate to induce the French Government to insist, without the pill being coated on Germany's accepting the present status as a condition precedent to Franco-German financial and/or political cooperation.

The Corridor is territorially unimportant. Its value is solely that of a channel of communications. It would seem lamentable if some nonterritorial, largely mechanical or administrative compromise could not be evolved to facilitate a permanent betterment of Polish-German relations. To quote an apt—but private—remark of M. Jules Sauerwein: [35a] "anything would work in times of peace; in wartime there would be no 'Corridor' ".

Respectfully yours, JOHN N. WILLYS

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[35] See pp. 565 ff.

[35a] French journalist.

760C.6215/556

Press Release Issued by the White House, October 25, 1931

The following statement was issued by the White House:

A press statement that the President has proposed any revision of the Polish Corridor is absolutely without foundation. The President has made no suggestions of any such character.

760C.6215/572

The Chargé in Poland (Wiley) to the Secretary of State

No. 1144 WARSAW, December 2, 1931.
[Received December 12.]

SIR: I have the honor to acknowledge with thanks the receipt of the Department's confidential instruction No. 235 of October 30, 1931,[36] enclosing a copy of a memorandum of a conversation had between Undersecretary of State and Ambassador Filipowicz on October 22, 1931.

In respect of M. Filipowicz's instructions from Marshal Pilsudski to state that Poland believed that there was at almost any moment the danger of invasion of Polish territory by German irregular troops, that if this should occur the entire Polish Army would be immediately mobilized and marched into Germany to settle accounts once and for all and that Poland would not be deterred from such a course by any action of the League of Nations, I venture to report that competent officials of the Foreign Office as well as foremost organs of the press are categoric in denying the existence of any danger of a *Putsch* or other intervention by force from Germany; either now or on the advent in government of the National Socialists.

Despite the statement of M. Filipowicz to the contrary, the Polish consensus seems clearly to be that the economic situation of Germany and the moderated point of view of Hitler preclude any present possibility of German aggression (*vide* despatch No. 1140 of December 2, 1931[36]). It may therefore be inferred that the message of Marshal Pilsudski, as conveyed by M. Filipowicz, does not derive from any present fear of German attack. The real explanation of his communication is, I think, Polish alarm over German propaganda and the wave of sentiment throughout the world, particularly in the United States, in favor of German revisionist claims—which, it is feared, may unduly encourage German intransigence. It has, moreover, wounded

[36] Not printed.

Polish pride that the so-called "Corridor" should have become the subject of discussion in official circles abroad and the theme of endless press polemics.

The Department will recall that on October 26, 1931, at the instance of M. Zaleski, the Embassy appealed on his behalf, in telegram No. 109,[36a] for the good offices of the Secretary of State to the end that comment in the United States on the subject of the "Corridor" be abated if possible. The Marshal, doubtless with an eye on the approaching visits to Washington of Laval and Grandi, probably decided that something still more forceful was needed to silence the revisionists' "campaign" in the United States. Hence M. Filipowicz's hurried return to Washington and the Marshal's message (somewhat reminiscent of his communication to M. Woldemaras in 1927).

The Polish thesis with regard to the United States inclines to simple formularization; because of its vast financial commitment in the Reich, American concern is centered in the welfare of Germany. The Marshal, whose mental processes are direct, may have thought that by alarming the American Government with the danger of war, it would, out of anxiety for the security of things in Germany, take effective steps to put an end to "Corridor" discussions in the United States. That political personages and the press in the United States should be free in their utterances from the influence of governmental pressure is doubtless not fully understood by Marshal Pilsudski. He probably believes that with sufficient incentive the American Government could be inspired to intervene effectively.

Should however, a situation arise in the future, such as foreseen in the message of Marshal Pilsudski, the threat of an immediate Polish attack on Germany is probably not an empty one; at least not if the Marshal still presides over Polish affairs. Whether such a drastic policy would serve the best interests of Poland, if only by clouding the juridical issue of determining the aggressor, is another matter. The Marshal insists that "one is only worthy to be called a human being who has a sure conviction and succeeds in confessing it in action without regard for the consequences." *

Other points raised by M. Filipowicz in conversation with Mr. Castle will be commented on in a subsequent despatch.

Respectfully yours, JOHN C. WILEY

[36a] Not printed. The reference to this telegram is evidently an error. See telegram No. 105, October 15, 6 p. m., p. 597.

*_Joseph Pilsudski;_ Faber and Faber, London, page 12. [Footnote in the original.]

REFUSAL BY THE UNITED STATES OF INVITATION BY THE LEAGUE OF NATIONS TO PARTICIPATE IN A SPECIAL COMMITTEE TO STUDY A PACT OF ECONOMIC NON-AGGRESSION

840.00 Economic Non-Aggression/8

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

No. 2260 BERNE, September 30, 1931.
L. N. No. 2136 [Received October 8.]

SIR: Referring to the Legation's telegram No. 173 dated September 30, 12 noon, 1931,[36b] I have the honor to transmit herewith a communication addressed to you on September 29, 1931 by the Secretary of the League of Nations, inviting the American Government to participate in a special Committee which has been set up to study a Pact of economic non-aggression. The enclosures to this communication are also being forwarded, as listed.

Respectfully yours, For the Minister:
WINTHROP S. GREENE
Third Secretary of Legation

[Enclosure]

The Secretary-General of the League of Nations (Drummond) to the Secretary of State

GENEVA, September 29, 1931.

SIR: At a recent meeting of the Commission of Enquiry for European Union, the Delegate of the Union of Soviet Socialist Republics submitted to the Commission a Draft Protocol for a Pact of Economic Non-Aggression, of which I have the honour to attach a copy (C.354.-M.153.1931.VII). The Commission of Enquiry decided, after some debate, that the best method of studying this proposal was to set up a special Committee for the purpose and accordingly asked the Assembly's approval therefor. The Assembly, in approving this suggestion, decided that the proposal for a Pact of Economic Non-Aggression was of world wide importance and that the Committee to study it should include not only the States to be named by the Commission of Enquiry for European Union, but also certain non-European Powers to be chosen from amongst the Members of the Assembly. At the same time, the Assembly decided to request the Council to invite the Government of the United States of America to send a representative to the Committee if that Government considers it desirable.

The States chosen from the Commission of Enquiry for European Union include the following: Belgium, Czechoslovakia, Estonia, France, Finland, Germany, Great Britain, Greece, Italy, Latvia,

[36b] Not printed.

Poland, Roumania, Spain, Sweden, Switzerland, Turkey, the U. S. S. R., Yugoslavia.

The States named by Assembly include the following: Australia, Canada, Chile, China, India, Japan, Uruguay.

In accordance with this Resolution of the Assembly, the Council at its meeting today authorised me to extend this invitation to your Government. I enclose herewith the relevant documents and beg to add that the first meeting will take place on Monday, November 2nd next, at 11 a. m., at the Secretariat.

I have [etc.] ERIC DRUMMOND

[Subenclosure]

Draft Protocol of Economic Non-Aggression Proposed by the Government of the Union of Soviet Socialist Republics

The representatives of the undersigned European countries,

Recognising that:

(*a*) The mitigation of the crisis which has overtaken the national economy of most countries requires, in addition to abstention from war as a means for the solution of international conflicts, the complete cessation of all forms of economic aggression, both avowed and concealed, by any countries or groups of countries, against any other countries or groups of countries;

(*b*) The cessation of economic aggression is an essential condition for the peaceful co-operation of States in the sphere of economics, irrespective of their political-economic systems;

(*c*) The cessation of economic aggression would help to put an end to the present atmosphere of mistrust, uncertainty and alarm, weighing so heavily upon the economic position;

And hoping that all other countries inspired by their example will join this Protocol,

Have decided to recommend their Governments to sign the following Protocol:

1. The contracting parties once more solemnly confirm the principle, proclaimed at the International Economic Conference of 1927,[37] of the peaceful coexistence of countries, irrespective of their social-political and economic systems.

2. The parties undertake in their mutual relations to forego any discrimination whatever, and to regard as incompatible with the principles of the present Protocol the adoption and application in their respective countries of a special system directed against one or more of the countries signing the present Protocol or not applicable to all other countries.

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[37] See *Foreign Relations*, 1927, vol. I, pp. 238 ff.

This Protocol will be ratified and come into force between those of the contracting parties who give in their ratification papers to the President of the Commission for the study of a European Union.

This Protocol may be subscribed to by all States in the world. Notification of adherence will be given to the President of the Commission for the study of a European Union, and it will immediately come into force between the State subscribing to it, and all other parties to it.

The President of the Commission for the study of a European Union will notify all parties to the Protocol of every new ratification or of every adherent, as soon as ratification papers have been received.

840.00 Economic Non-Aggression/8 : Telegram

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

WASHINGTON, October 16, 1931—4 p. m.

138. Your despatch No. 2260, September 30, 1931. You are directed to acknowledge receipt in the usual informal manner of the Secretary-General's communication to me of September 29th, and to embody in your acknowledgment the following "In reply, the United States Government, while thanking the Council of the League of Nations for its courtesy in extending this invitation, does not expect to participate in the work of this committee." [38]

STIMSON

PROPOSALS FOR AN INTERNATIONAL CONFERENCE ON THE STABILIZATION OF SILVER [39]

551.5F1/16 : Telegram

The Secretary of State to the Minister in China (Johnson)

WASHINGTON, February 12, 1931—5 p. m.

48. 1. Pittman Sub-Committee on February 11 presented to Senate Foreign Relations Committee an interim report [40] recommending that the Senate advise the President to

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[38] A memorandum of October 13, 1931, prepared in the Division of Western European Affairs states: ". . . The pact itself is in very general terms; and appears to offer nothing sufficiently practical to justify our acceptance of the invitation. Nobody in Geneva seems to have taken it very seriously . . ."

[39] For previous correspondence on this subject, see *Foreign Relations*, 1930, vol. II, pp. 639 ff.

[40] For Senate Resolution 442 introduced by Senator Key Pittman of Nevada, February 11, see *Congressional Record*, vol. 74, pt. 5, p. 4557. The resolution was reported with amendments (Senate Report 1716), considered, amended, and agreed to, February 20; see *ibid.*, pt. 6, pp. 5493–5502.

(*a*) Negotiate with Indian, British, French, Belgian and other Governments to induce them to suspend debasement of silver currency and government sales of silver;

(*b*) Call an international conference to consider an agreement in regard to the uses and status of silver as money under Chapter 376, Section 312, Revised Statutes;

(*c*) Negotiate with the National Government of China and with such other governments "as China and the United States may consider it advisable" in regard to a silver loan to China on a commodity basis.

2. Text of report will be mailed to you.

STIMSON

551.5F1/17 : Telegram

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

[Paraphrase]

WASHINGTON, February 16, 1931—5 p. m.

38. President Hoover desires the British Government to be sounded out regarding its possible readiness to call an international conference on the world silver situation. As a basis for this suggestion and as a reason why it might appeal to the British and other Governments is the belief that the existing world-wide business depression is influenced very adversely by the present low price of silver, especially on account of its effect upon trade in certain countries, for example, China, where silver is the chief measure of the people's wealth and purchasing power and the monetary standard. The conference could discuss, among other things, whether an international agreement is advisable for the discontinuance of debasing silver coinage and selling government-owned silver.

It seems desirable to me for you discreetly and informally to take up this matter in London.

In order to avoid giving an impression that there is a desire to induce the withholding by the Government of India of silver sales to China while the dumping of silver by American producers is proceeding in China, it should be made clear that the above suggestion is quite separate from any thought of a loan to China. If and when a loan comes up, this question must be examined separately and on its own merits.

Apparently the American Government may soon be asked to call an international conference on the silver situation. President Hoover considers as between the British and American Governments, however, that it would be less appropriate for this Government to call a silver conference than for the British to do so since (*a*) this Government

has been neither selling silver nor debasing its silver coinage and (*b*) the market determining the silver price is London.

You are informed of a recent discussion of this matter between Premier Bennett of Canada and President Hoover, in the course of which conversation the President suggested that the British instead of the American Government might more appropriately take the initiative. Further, there is reason to think that the British Cabinet either has been considering the silver situation or shortly will consider it.

This suggestion comes after lengthy consideration by President Hoover and has no connection with the Pittman silver report, which still is before a Senate committee and, therefore, has not been brought to the official attention of the Executive.

STIMSON

551.5F1/23 : Telegram

The Secretary of State to the Minister in China (Johnson)

[Paraphrase]

WASHINGTON, February 18, 1931—1 p. m.

57. After lengthy deliberation aside from the pending Pittman report, the Department on February 16 requested Dawes in London to learn the attitude of the Government there with regard to its sponsorship of an international conference on silver. I have two reasons for suggesting that the initiative be taken by the British Government: (1) silver is not being sold by the United States and its silver coinage is not being debased; (2) the price of silver is determined on the London market.

STIMSON

551.5F1/26 : Telegram

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

[Paraphrase]

LONDON, February 20, 1931—4 p. m.
[Received February 20—3 : 30 p. m.]

49. Department's telegram No. 38, February 16, 5 p. m. The following reply from Prime Minister MacDonald was received today by me : [41]

"I have now had time to consult my colleagues on the paraphrased telegram from the Secretary of State in Washington, dated the 16th

[41] Quotation not paraphrased.

instant, regarding the calling of a silver conference. We heartily welcome the suggestion made by your President and would certainly be represented at such a conference. After a very careful survey of the situation, including both the interests involved and the reactions which will take place as soon as an announcement is made, we are strongly of opinion that the invitation should be issued by the President, and we would urge him to do so. If he would agree to this, but would conclude that Europe was the best place for holding it on account of the urgency of the matter and of the necessity of having a very strong European representation upon it, His Majesty's Government would be only too glad to cooperate in helping to provide any of the facilities required.

We should also like to add this:

In the course of our examination we were very much impressed by the fact that the silver problem, important as it is, cannot very well be kept dissociated from general monetary and financial conditions which affect world prices and economic and industrial dislocation. At any moment a conference might find itself confronted by problems which, whilst felt in the silver situation, make that situation unsolvable whilst kept detached. I mention this because we should like to know if the President has been considering terms of reference and the scope of the deliberations of the conference. We think that that should be studied very carefully before final conclusions regarding a conference are reached. We should be glad if views of this subject were exchanged between us."

DAWES

551.5F1/38 : Telegram

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

[Paraphrase]

WASHINGTON, February 28, 1931—noon.

51. Embassy's 49, February 20, 4 p. m. You will acknowledge to Mr. MacDonald the receipt of his communication relative to an international conference on silver. Tell him that we are giving the matter consideration and especially his more comprehensive plan to handle the situation. It should be made clear to the Prime Minister that, owing to the pressure of business attending the adjournment of Congress, we cannot reply immediately.

STIMSON

551.5F1/52 : Telegram

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

[Paraphrase]

LONDON, March 5, 1931—1 p. m.
[Received March 5—10:30 a. m.]

67. I conveyed to the Prime Minister in a personal note the contents of your telegram 51 of February 28. His reply of March 4 is as follows:[42]

"My Dear Dawes, Thank you so much for your note. I shall await a further communication. Meantime, you might find an opportunity of telling your Secretary of State that I am turning my thoughts to some big international move to try and straighten out the present deplorable economic conditions of the world. I have been so busy with other things that I have not had time to concentrate upon this, so that I can produce no definite program, but I am sure that Mr. Stimson and the President will be interested. Do you think it would be possible for them to exchange views with me on the subject? I think that the present state of affairs gives our two countries an extraordinary opportunity of stepping in and doing a really great service to the rest of the world. Could we cooperate? Yours faithfully, Very sincerely, J. Ramsay MacDonald."

DAWES

551.5F1/65 : Telegram

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

[Paraphrase]

WASHINGTON, March 11, 1931—4 p. m.

65. Reference the Embassy's 67, March 5, 1 p. m., which I recently examined with the President. This latest communication from Mr. MacDonald is, I presume, an advanced view on the Department's 38, February 16, 5 p. m., as indicated in the Embassy's 49, February 20, 4 p. m. It is my opinion that in approaching the Prime Minister on the subject, you ought to proceed as follows: The United States, too, would be receptive to a program designed to check the worsening condition of economic affairs. Nevertheless, this Government has learned by experience over the past 10 years or more that in dealing with such matters of world-wide scope, the best results are achieved by concentration upon particular subjects. Because their agenda were too comprehensive, the Economic Conference held at Geneva in 1927[43] and the Conferences of Concerted Economic Action con-

[42] Quotation not paraphrased.
[43] World Economic Conference, Geneva, May 4–23, 1927; see *Foreign Relations*, 1927, vol. I, pp. 238 ff.

vened last year [44] resulted in no decisive action. On the other hand, when the problem of disarmament was being dealt with, the procedure of centering attention and discussion upon one aspect prevented any bargaining of issues; finally, successful results were obtained. The failure to explore first by direct negotiation, any subject which is vitally bound up with national policy opens the way usually for ultimate disagreement. That such was not true in the case of the conference on the abolition of trade restrictions [45] must be attributed to the manner in which the question was circumscribed. Consequently, unless the objectives of an economic conference are positively stated, an agenda subscribed to, and issues susceptible to nationalistic debate omitted or disposed of through the regular diplomatic channels, this Government perceives little good and possibly more harm emerging from a plan to ameliorate economic conditions generally. Mr. MacDonald should be made aware of our willingness to give sympathetic attention to any idea for an improvement of the situation along specific lines. We are looking forward to more definite proposals from him.

STIMSON

551.5F1/81

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

No. 737 WASHINGTON, April 7, 1931.

SIR: The French Ambassador [46] called on me March 5th to discuss the question of silver. He asked me whether I had done anything about the Pittman report. I said no, that I had read the report and was interested in it but was not fully prepared to agree with its recommendations. I told him, however, that I was much interested in the general question of silver and thought that that was an important problem in the world situation. I asked him what he thought of holding a conference on the subject and he said he thought it might have a very important psychological effect. He told me that in Indo-China France had been obliged to sell her silver and go on a gold basis after England had started it in India. He said further that the whole situation of silver in the Far East had a very important economic bearing on China and the whole trade of that country; that he was familiar with it on account of his long residence there. He then pointed out how the rupee in India now had an artificial value. It

[44] International Conference for a Tariff Truce, Geneva, February–March 1930 and November 1930; see *Foreign Relations*, 1930, vol. I, pp. 238 ff.

[45] Second International Conference for the Abolition of Import and Export Prohibitions and Restrictions, Geneva, July 3–19, 1928; see *ibid.*, 1928, vol. I, pp. 366 ff. For correspondence concerning the First Conference, see *ibid.*, 1927, vol. I, pp. 246 ff.

[46] Paul Claudel.

could purchase over 200 grains of silver, although it contained only 175 grains of silver itself. Consequently, the rupee was being used to purchase bullion silver which in turn was used to buy pounds in gold and the pounds in turn came to France and were piling up in French vaults where they were a menace. He suggested that M. René Leon was an authority who could explain this, and in general he said that he thought that a conference to simply discuss this situation and see what could be done would have an important and beneficial effect. I tried to press him on whether his Government was asking for such a conference or desired such a conference, but he did not answer the question.

Very truly yours, HENRY L. STIMSON

551.5F1/85

Memorandum by the Under Secretary of State (Castle) of a Conversation With the Japanese Ambassador (Debuchi)

[WASHINGTON,] May 7, 1931.

THE SECRETARY: The Japanese Ambassador called to see me on the subject of Chinese extraterritoriality and I took the occasion to speak to him casually on the silver question. I said that I had read with interest Mr. Kagami's[47] speech at the meeting of the International Chamber of Commerce and that I had noted particularly his references to the silver situation and to the great importance to Japan of stabilization. I told the Ambassador that I wondered whether this might mean that Japan had under consideration the calling of an international silver conference. He said that he rather doubted whether his Government would want to do this because the Japanese seriously doubted whether such a conference would accomplish its object. He asked me whether, if Japan should call a conference in Tokyo, this country would be represented. I said that I felt sure we would be as we also thought the stabilization of silver of vital importance. The Ambassador asked why we did not call a conference and I told him that as we were a silver producing country it would probably look better to have it called by someone else. I said that Tokyo would seem to me the ideal place since the effect of the depreciation of silver was very largely an oriental question. I reminded him also that Japan was not a silver producing country and not a very heavy user of silver, but that, of course, the depreciation in value was an enormous handicap to Japan's trade with China, just as in a lesser degree it was a handicap to our trade with China. I said that I was more sure that we would be glad to be represented at a conference in

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[47] Kenkichi Kagami, President of the Nippon Yusen Kaisha and of the Mitsubishi Trust Company.

Tokyo for the fact that, at the present time, the relations between Japan and the United States were completely cordial, that it seemed to me that we had fewer troublesome questions with Japan than with almost any other nation. To this he agreed enthusiastically. He said that he would like to think over the matter and perhaps communicate with his Government to get their ideas, that he would also like to talk with Mr. Kagami.

I told the Ambassador that it would be very interesting to know whether Japan had this matter under consideration, that the idea had occurred to us merely because of Mr. Kagami's speech. The Ambassador said there had been talk of China calling such a conference, but that he felt it would be far more useful to call it in Japan, if it were to be in the orient, since nobody knew from month to month what conditions would be in China and since they might be perfectly unable at any moment to cope with a conference. I agreed with this and said I thought also that Japan, having no ax to grind, would be less likely to introduce extraneous matters. The Ambassador said that he felt a silver conference would be more useful either in this country or in the Orient than in Europe because at such a conference in Europe all sorts of extraneous questions would be introduced. I agreed with this and said that I felt a silver conference, to have a reasonable chance of success, ought to confine itself strictly to the question of silver. The Ambassador asked whether I thought Great Britain would accept an invitation from Japan. I said that, of course, I had no idea, that I had not discussed the matter with the British at all, but that it would seem to me Great Britain would be unlikely to refuse an invitation to such a conference.

The Ambassador said that he would communicate with me shortly.

W. R. CASTLE, JR.

551.5F1/96: Telegram

The Secretary of State to the Ambassador in Japan (Forbes)

[Paraphrase]

WASHINGTON, May 14, 1931—4 p. m.

78. Agitation continues throughout the United States for an international conference on the silver problem. We feel that much good may be derived from such a meeting if the discussions were limited to the technical side of the case. This Government is of the opinion that it ought not to sponsor such a meeting; and because of the factors which involve India, Great Britain is apparently unwilling to do so. The leading Japanese delegate (Kenkichi Kagami) to the recent Washington meeting of the International Chamber of Commerce recently spoke of the importance of silver stabilization to Japan. In

reference to the speech, the Under Secretary of State conversed with the Japanese Ambassador on the likelihood of his Government extending invitations to a conference. Mr. Debuchi was positive of the keen interest of Japan in the idea. Whether it was ready to assume the responsibility for calling a meeting was doubtful. To his query whether the United States would send delegates, if Japan took the initiative, the Under Secretary replied in the affirmative. You ought to know our position on this subject. We do not, however, want you to discuss it with the Foreign Office. The core of the problem lies in the Orient; that is where the conference ought to be held. Because it is not a silver producing country and consequently could not be said to have ulterior designs, we favor Japan rather than China to issue the call for a conference. If the latter should be held in the Orient, the chances of limiting discussion solely to the silver question would be excellent. Such might not be the case in Europe.

If the Foreign Minister or any other official should approach you on the subject, it would be your cue not to discourage but to venture your own opinion why Japan might well act as host to a conference.

STIMSON

551.5F1/107

Memorandum by the Under Secretary of State (Castle)

[WASHINGTON,] May 18, 1931.

The President telephoned me to say that he was being pushed on all sides in connection with the silver conference and said that he wished I would send for the Japanese Ambassador and bring the subject up with him again.

I told Mr. Debuchi that, although the statement in the papers that Dr. Wu [49] had come to me to say that China was considering calling a conference was not true, I believed, nevertheless, that China certainly had the idea. I told him that we, feeling as we did, that the silver question was largely an Oriental matter, would feel compelled to send delegates to a conference called by China. I added, however, that I felt exactly as I had a week ago, that Japan would be able more effectively to hold a conference and to make the arrangements for a conference. In other words, we believed Tokyo to be the ideal place to hold such a conference. I asked him whether he had heard anything from Japan. He said that he had had very little except what he saw in the papers, that obviously the matter was being discussed in Tokyo, that Baron Shidehara [50] was, he understood, very much in favor of

[49] Dr. Chao-Chu Wu, Chinese Minister in Washington.
[50] Baron Kijuro Shidehara, Japanese Minister for Foreign Affairs.

having a conference, but that the bankers and the Finance Minister [51] seemed to be opposed to it. I pointed out to him that the *Times* indicated that Mr. Inouye was, on the whole, in favor of it even though the bankers disagreed and he said this might be so, since Mr. Inouye and Baron Shidehara worked very closely together.

I told the Ambassador that I had asked him to come in because I wanted to be sure that he realized that China has apparently been thinking of calling a conference, that if Japan were also thinking of doing so it would be too bad if they delayed until someone else got in ahead of them.

The Ambassador said that he hoped to be able to have some information for me within two or three days.

W. R. CASTLE, JR.

551.5F1/106 : Telegram

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

[Paraphrase]

WASHINGTON, May 20, 1931—4 p. m.

137. Strong opinion in the United States for the convening of a conference on silver further stimulated by International Chamber of Commerce. If the program should relate exclusively to silver prices, the United States will be a participant. There are factors which make it undesirable for us to sponsor such a meeting. Although we would like to see either China or Japan assume the role of host, the latter Government is our preference. Under Japanese auspices, more positive benefits might result. Indications are that China may issue a call. From news sources in Japan as well as informal conversations here, we believe that, contrary to the wishes of Japanese bankers, that Government is giving the matter close attention. Before taking the initiative, the Japanese must have the assurance of attendance by Great Britain. The latter Government is perhaps being approached on the subject.

A call by Japan is the first choice of the President and myself; China, our second. You are urged not to initiate any reference to the subject, but, at the opportune moment, to act upon the proposal thus described. Advise the Department of any change in attitude in Great Britain.

STIMSON

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[51] Junnosuke Inouye.

551.5F1/108 : Telegram

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

[Paraphrase]

LONDON, May 21, 1931—10 p. m.
[Received May 22—9 : 35 a. m.]

158. Department's 137, May 20, 4 p. m. In a conversation with Mr. MacDonald this afternoon, he spoke unfavorably of an official conference on silver now. His reasons for this attitude, I shall give you upon my arrival in Washington. Nevertheless, if the lead were taken by another Government, Great Britain would probably participate upon his recommendation.

As an example of how a conference on a special problem was superior to a purely official one, I pointed to the Wheat Conference now being held here.[52] Unofficial conferences command respect if the private sponsors in the respective countries are sufficiently eminent in their field. It is unlikely that political embarrassments will be created by open debate in a conference of this character. In fact, the condition should encourage more liberal discussion. This is being demonstrated in the private sessions of the Wheat Conference. With public opinion the world over clamoring for the examination of national issues in an international atmosphere, certainly the ironing out of differences over principles and their execution by delegates unencumbered with official instructions would be beneficial. I am of the opinion that such a conference can be productive of more positive action than the International Chamber of Commerce or even the League of Nations. The efforts of the latter organizations are continually concerned with a variety of problems. The unofficial conference, composed of experts, terminates its labors upon resolving the problem for which it was convened. The several interested Governments could send unofficial representatives to such a meeting. We worked this to advantage with the Reparations Commission. From the reports to its observer a Government could determine the expediency of calling an official conference. This approach is favored by Mr. MacDonald. His other suggestions I shall convey to you in Washington.

The Japanese have not yet approached the Government here on the idea of a silver conference. I was asked yesterday by the Chinese Minister what was the attitude of the British Government on this subject.

DAWES

[52] See pp. 632 ff.

551.5F1/117½

Memorandum by the Under Secretary of State (Castle) of a Conversation With the Japanese Ambassador (Debuchi)

[WASHINGTON,] June 1, 1931.

I sent for the Ambassador to discuss once more the question of a silver conference. I asked Mr. Debuchi whether he had had any word from Toyko as to the possibility that Japan might be willing to call an international silver conference. He said that he had telegraphed the substance of our former conversation and had urged Baron Shidehara for an answer, but so far he had received nothing. He said that he knew that both Baron Shidehara and the Minister of Finance, Mr. Inouye, were in favor of calling such a conference, but that there was certain opposition on the part of Japanese bankers. He then said that, although he had no right to discuss what others than his own Government were saying, he thought it only fair to tell me that, in consequence of our suggestion to call a conference, the Japanese Ambassadors in London and Paris had been instructed to consult the governments to which they were accredited and he said that he felt that this accounted for the delay since Mr. Matsudaira in London had had no encouragement, the British feeling that this was not the appropriate time to call such a conference. He said that Mr. Yoshizawa in Paris had met much the same attitude on the part of the French authorities, but quickly added that the principal opposition was in London. In connection with this he said that the desire of the Chinese to call a conference had obviously cooled. I asked him whether it was the result of the summer war fever, but he said, on the contrary, that he thought it was the influence of British bankers, probably instructed from home, on Chinese bankers in Shanghai. I told the Ambassador that I felt sure, nevertheless, that if the Japanese should call a conference, at which we should certainly be well represented, the other nations would be compelled to join in. Mr. Debuchi said he agreed with this.

He then asked me why the President wanted a conference at this time. I told him I could hardly interpret the President's feeling in the matter, but that I believed he felt that a silver conference would be one step toward a solution of pressing world economic problems, that he believes strongly in attacking a great issue of this kind subject by subject and that he would be glad, therefore, to see the silver angle attacked in this way.

The Ambassador said he would again telegraph the Foreign Office, but that he wanted to do it in such a way that he would not get a nega-

tive answer, since he felt there was hope, until a direct negative came, that Japan might finally call the conference.

He promised to keep me informed of anything he might hear.

W[ILLIAM] R. C[ASTLE, JR.]

551.5F1/116 : Telegram

The Chargé in Japan (Neville) to the Secretary of State

[Paraphrase]

TOKYO, June 3, 1931—3 p. m.
[Received June 4—8:35 a. m.]

76. With reference to Department's No. 78, May 14, 4 p. m. During the course of a conversation I had with Matsuzo Nagai (Vice Minister of Foreign Affairs) and Masaaki Hotta (Chief of the Europe-America Bureau), reference was made to the silver problem. The concern over silver manifested by American Senators touring the Far East had aroused their curiosity. I said that the United States was a great silver-producing country. I was asked by the Vice Minister whether it was the intention of the United States to sponsor a conference on silver. I replied that, in my opinion, it was not; but that American delegates would be sent if the Japanese or some other Government took the initiative. The division in financial and banking circles on the silver issue was such, Nagai informed me, that any attempt by his Government to call a conference would probably be embarrassing to itself.

His very silence on the point inclined me to believe that the fear exists here that the conference would be utilized by the Chinese as a sounding board for political issues.

NEVILLE

551.5F1/125

Memorandum by the Under Secretary of State (Castle) of a Conversation With the Japanese Ambassador (Debuchi)

[WASHINGTON,] June 11, 1931.

The Ambassador called to say that he had at last heard from Baron Shidehara as to the possibility of calling a silver conference. Baron Shidehara told him that he had had many conferences with bankers and leading business men on the subject, that, although there was some difference of opinion, it, nevertheless, seemed to be the feeling of the majority that the present was not a time to call a silver conference unless the various governments concerned were prepared to go to the conference willing to make large compromises; it was obvious from the discussions the Japanese Ambassadors had had with the

governments to which they are accredited that certain governments (meaning, of course, England and France) were distinctly opposed to a conference at this time; some governments felt that a conference might not only do no good, but actually make the silver situation more serious than it is at present. Baron Shidehara said that he greatly appreciated the suggestion of the American Government that a silver conference be held in Japan and that he always wanted to work in harmony with this Government; he felt that, if preliminary negotiations proceeded further, it might still be possible, at a later date, to hold a conference. He said that Baron Shidehara had asked particularly that I comment on this statement. I told the Ambassador that we fully understood the difficulties of the Japanese Government and that we appreciated the care with which Baron Shidehara had explored the ground. I said that we had felt that an international conference on the subject of silver would clear the ground and that it might well have resulted in something constructive and worth while, but that, of course, we realized this could be true only if the various interested governments went into the conference with enthusiasm and with willingness to make the necessary compromises. I told him that I realized that the British Government, in particular, did not approve of a silver conference at this time, that Ambassador Dawes had made that quite clear on his recent visit to Washington. I said that I also understood that the British would be in favor of an unofficial conference and that I hoped, if such a conference were called, Japan would wish to take part in it. I said that such an unofficial conference might, after a careful study of the question, make recommendations which would make clear that a solution of the question by the governments was possible and that, if these recommendations appealed, it might then be appropriate to call a fully official international conference.

The Ambassador apologized for taking so long in bringing an answer, but stated that the delay was not due to neglect of the question, but to a very careful study of the question in Japan.

W. R. CASTLE, JR.

551.5F1/137 : Telegram

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

[Paraphrase]

WASHINGTON, July 25, 1931—2 p. m.

84. In the United States and elsewhere, the depreciation of silver as a factor in the depression continues to excite public discussion. Throughout the year the Department has given considerable attention

to the subject. It is very important from several angles: a domestic issue in this country; a relationship to debt and trade affairs in the Far East; a politico-economic factor in Latin America, especially Mexico, and in India.

Although the Department has given every encouragement to the convening of a conference of experts abroad, and certainly would be responsible for American representation, it is not in favor of a meeting called by the United States or one held here. Aside from being a silver producing country, there are other deterring factors. French indifference to the movement, and the hesitancy of Great Britain to participate because the action might implicate its Indian silver policy have frustrated some efforts to have China or Japan take the initiative.

Monetary and financial experts offer no positive solution of the silver question. However, they view an international conference on the subject as a medium to ameliorate the condition of silver in the depression. The International Chamber of Commerce in Paris has recently appointed a special committee to explore the necessity of a general conference. This is the status of the conference movement at present.

An invitation to a conference extended by the League of Nations and American attendance thereat has been suggested by Senator Swanson of Virginia. We are inclined to favor his proposal. In view of these circumstances, you are requested, in pursuance of our previous relationships with the League, to make discreet inquiries with a view to learning the League's attitudes and possible plans in this matter. If it should follow up the initiative taken by a member Government, what, if any, would be the chance of success? A conference sponsored by the League would meet with our approval, and we would work for participation by the United States.

CARR

551.5F1/140 : Telegram

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

[Paraphrase]

BERNE, July 28, 1931—5 p. m.
[Received 7:21 p. m.]

99. Department's No. 84, July 25, 2 p. m. I have very discreetly mentioned to the Acting Secretary-General [53] your idea to have the League promote a conference on silver.

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[53] Albert Dufour-Feronce, Under Secretary-General and Director of International Bureaux Section, Secretariat, League of Nations.

Dufour replied that the Secretariat has made no investigation along this line. While Sir Arthur Salter was in the Far East, the subject attracted his attention, and he is now in London pursuing it further. He is no longer connected with the Secretariat, however. A directive from the Assembly or Council would be necessary before the Secretariat could review the case. The initiative for calling a conference would have to be taken by either the Assembly or Council, preferably the former. The procedure is introduction of a resolution in the Assembly by a member state and debate in the Fourth Committee. In the opinion of Dufour, the acceptance of such a resolution would be highly possible.

Inasmuch as he is shortly leaving for Berlin, the Acting Secretary-General pointed out that he could, perhaps, prompt his Government to introduce a resolution in the next session of the Assembly. Dufour's view is: "The German Government has to put up so many proposals in which it is deeply interested that it would probably be glad to push one in which it was clearly disinterested."

If you are favorably disposed to this suggestion of Dufour, I should like to be advised. If not, my opinion is that the matter should be postponed until the return of the Secretary-General from his vacation one month hence.

WILSON

551.5F1/147 : Telegram

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

[Paraphrase]

WASHINGTON, August 7, 1931—5 p. m.

88. Legation's 99, July 28, 5 p. m. Your proposal to have Germany present a resolution on a silver conference to the League of Nations meets with our approval. You should confidentially push it. Our Ambassador in Germany [54] is being informed of these proceedings but advised not to initiate anything. This Government attaches great importance to the silver problem. Consequently, you should be very active but discreet in the matter.

CASTLE

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[54] Frederic M. Sackett.

551.5F1/149 : Telegram

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

[Paraphrase]

BERNE, August 12, 1931—2 p. m.
[Received 4:05 p. m.]

103. Department's 88, August 7, 5 p. m. Although he is ignorant of the attitude Germany may adopt toward the proposal, Dufour will suggest to his Government the idea of initiating in the next Assembly a resolution on a silver conference.

As matters stand now, there is nothing more that I can do in Geneva. Therefore, our Ambassador in Germany might profitably suggest that that Government issue a public statement after the arrival of Dufour on August 18. To negotiate further in Geneva, I would have to deal with nationals of the Governments in the Secretariat. I am ignorant of the prestige any of those individuals have at home. Dufour is an example. Consequently, I am of the opinion that the matter could be more expeditiously handled in Berlin. You could facilitate Sackett's task with an explanation of the type of conference you preferred, namely, one of experts, financial leaders, or official representatives. My belief is that the greatest advantage can be derived by acting immediately. Another gain would be scored if Sackett succeeded in having the resolution so read that the Secretariat called the conference as soon as convenient with its own work. A conference convened without the benefit of preliminary surveys cannot proceed directly to the core of its problem. It must take the time to study and then act. Consequently you may want it understood that experts and financiers be in attendance.

Owing to the assistance which we have recently sought to give Germany, one may reasonably assume that the Government would desire to reciprocate in this matter. There may be, however, some hesitancy. As a debtor state, the German authorities may fear that to offer this resolution, some one may bring against them the charge of conniving to pay off gold obligations in silver stabilized but reduced in value.

If the German Government should refuse to go along, the way is open in another direction. From the Legation's 99 of July 28, 5 p. m., you know that only member states can begin an action in the League. Of course, the more powerful the member the greater respect its proposal will receive. The United States should, therefore, work through a government which is neutral toward the silver question and which

would be inclined to lend assistance. Italy would be my choice in these circumstances. If the Germans should decline to act for us, you may want to approach the Permanent Italian Delegate to the Council (Grandi).

In view of the foregoing it is my opinion that future negotiations either with the German Government or any other should be conducted in the capital of the country. For the moment I can do nothing in Geneva. This situation will prevail until September 1 or later when I can again confer with the proper officials there. As to the position of Great Britain referred to in the Department's 84, July 25, 2 p. m., I have learned, from an unvouched for source, that the British Government is prepared to attend a conference summoned either by the United States or the League of Nations but not one which the Chinese would call.

If you think it worthy of consideration, my suggestion is that I be kept informed of events in order that I may be of assistance after the 1st of September. If you should charge Sackett with the problem kindly advise me so that he may have my correspondence.

WILSON

551.5F1/151 : Telegram

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

[Paraphrase]

BERNE, August 26, 1931—2 p. m.
[Received August 26—11 a. m.]

109. Reference to Department's No. 84, July 25, 2 p. m. According to Dufour, Germany is not willing to sponsor a resolution calling for a silver conference. Furthermore, I learned from him that in a recent conversation with Senator Swanson, the Secretary-General came forth with the suggestion to have Norman Davis of the Finance Committee bring the matter before that body. A recommendation to the Council from that source could be adopted by Council and Assembly at the present session.

I have no assurance that the Finance Committee could arrive at a decision before the Council convenes. If not, my previous suggestion to have a member state introduce the resolution would be the alternative (see my 103, August 12, 2 p. m.) Under these circumstances, if the Finance Committee fails to act, would it be advisable for me to mention the matter to Grandi after the 1st of September?

WILSON

551.5F1/154 : Telegram

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

[Paraphrase]

BERNE, August 31, 1931—2 p. m.
[Received August 31—1 : 47 p. m.

111. Legation's 110, August 28, 3 p. m.[55] Davis tells me that the Financial Commission is amenable to a resolution of his which would have the Council delegate to the Commission the creation of a committee to study the silver problem. The membership of the committee would include the personnel of the Financial Commission, experts, and delegates from the Governments interested. The assignment of the silver committee would be to investigate the several aspects of the question involved; finally to consider the advisability of a recommendation calling for a conference. In our opinion, we can expedite the Council's adoption of a resolution to that effect, if the Financial Commission introduces it. Thursday is the day for the Financial Commission to assemble. Because the Commission had previously stimulated the International Chamber of Commerce to prepare a report on the subject, it hesitates to establish the silver committee while the other study is in preparation. No great importance should be attached to this sentiment since the survey of the Chamber of Commerce would be completed before the silver committee could be assembled.

Before leaving for the League meeting, Davis talked over the phone with the President on this subject. Consequently, the former, and I, too, would like to know whether the plan just outlined is satisfactory. Davis is hopeful that I shall have a reply for him before the Financial Commission meets on September 3.

This approach to the problem, if I correctly understand the Department's point of view, is the least satisfactory. It merely brings into the realm of possibility the calling of a conference in the near future. An investigation of the silver question similar to that made of gold would certainly be probable. Moreover, it is likely that not until the silver committee finished its work would the call to a conference be issued. Nevertheless, the conviction of Davis is that he could proceed no further with the Financial Commission. My own opinion is that officials in the Secretariat would not like to see a conference summoned immediately. They feel that the League would be risking a failure if no preliminary investigation was made

[55] Not printed.

prior to the arrival of the delegates. On that basis, they would, therefore, oppose any suggestion of the idea.

WILSON

551.5F1/155 : Telegram

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

[Paraphrase]

WASHINGTON, September 3, 1931—4 p. m.

101. Legation's 109, August 26, 2 p. m., 110, August 28, 3 p. m., and 111, August 31, 2 p. m.[56] We feel that all the Governments interested must be represented at a silver conference if any good is to be derived therefrom. The current price decline affects silver as it does other commodities. Because the principal use of silver is in connection with currency, the conviction persists among dealers and some financial experts that governmental action can and does affect the market. The reduced content of silver in small coins, a current European practice, and the building up of silver stocks by the Government of India as a result of its currency policy are generally regarded as chiefly responsible for the present condition of the market. Consequently, it would seem that stabilization of silver must be predicated upon cooperation among the several Governments involved. For some time past we have noted how the interest of the conservative British press in the subject has grown. We are of the belief therefore that the moment is at hand for positive international action. Such a procedure might materially benefit the British, especially insofar as their China trade and Indian policy are concerned. Furthermore, if Great Britain gave any indication of a willingness to cooperate in a project of such character her stock in the Far East and elsewhere would rise.

You and Davis have outlined a formula which, in our opinion, could indefinitely postpone the conference by submitting it to expert review. If you anticipate that the plan as a necessary preliminary step will expedite the calling of a conference, we heartily endorse it. If, on the other hand, it could possibly create a diversion of opinion for consideration of the question and prevent tangible results, the method does not meet with our approval.

The resolution of this problem lies, of course, in the present disposition of the British and other Governments toward it. Our suggestion is that you sound them out at Geneva on the Davis proposal. In order to direct our efforts where they will do the most

[56] No. 110 not printed.

good, we desire to have your conclusions as soon as possible. If for any reason you believe that to pursue this course would be unwise, you should immediately inform us.

The assistance which you and Davis have rendered is appreciated.

CASTLE

551.5F1/157 : Telegram

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

[Paraphrase]

GENEVA, September 14, 1931—11 p. m.
[Received September 14—8:45 p. m.]

128. The Disarmament Conference will shortly take place [57] and there are many other problems of importance to be solved. These may make it necessary to hold another conference in the near future. Consequently, the League of Nations does not wish to commit itself on a silver conference until the immediate outlook is brighter, or, at any rate, until it is possible to determine more exactly the chances of its success. Davis is of the opinion, however, that the Financial Commission will agree to study the problem.

Davis has received reliable information to the effect that if the producing states can agree on restricting the production of silver, or on restricting its sale in the market, it will not be difficult to persuade India to negotiate the matter and to agree on an arrangement satisfactory to everybody.

What follows is the text of a resolution which we may be able to secure at present: [58]

"In various ways attached in many quarters to the problem arising from the recent rapid decline in the price of silver, the Council decides, subject to adequate budgetary provision being voted by the Assembly, to instruct the Financial Committee after taking cognizance of the report of the committee recently set up by the International Chamber of Commerce to make an inquiry into the effects of the recent rapid decline in the price of silver upon the economic life of silver-using countries, and also upon international trade and commerce, and to consider by what action, if any, the ill effects may be mitigated."

I would appreciate being informed as to whether, with conditions as they are, you wish us to drop the matter, or whether you think it of advantage to have the above resolution passed if that can be arranged.

WILSON

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[57] See pp. 471 ff.
[58] Quoted passage not paraphrased.

551.5F1/158 : Telegram

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

[Paraphrase]

WASHINGTON, September 16, 1931—4 p. m.

108. Legation's 128, September 14, 11 p. m. The application of you and Davis to the task of bringing a silver conference resolution before the League Council is highly appreciated. Your telegram of September 14 refers to the readiness of India to cooperate toward a stabilization of silver prices. Since opinion in Britain seems to favor cooperation on this issue, our belief is that the resolution you plan to offer might delay matters beyond the time set in our telegram 101 of September 3, 4 p. m. Please advise whether you feel that a study by the Finance Committee would prove harmful, should resort be made to direct negotiation with interested Governments. If so, our suggestion is for you to informally request Davis to proceed no further.

STIMSON

551.5F1/159 : Telegram

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

[Paraphrase]

GENEVA, September 17, 1931—6 p. m.
[Received September 17—3 : 50 p. m.]

135. Department's 108, September 16, 4 p. m. Davis maintains that an inquiry (see my 128, September 14, 11 p. m.) by the Financial Commission would certainly expedite direct negotiations by the powers involved. That Commission is manifestly anxious to solve the problem, but it must take into consideration the effect on the prestige of the League of another reverse in the economic sphere. The Financial Commission interprets a "conference" as being a meeting of plenipotentiaries, called only when there is reasonable prospect for practical achievement. A "study" can be pursued quietly, without thought of failure. The Commission looks upon a study as an inevitable preliminary step to a conference. My observation is that on occasion a government could use the study to block a proposal, but in the present case apparently no state has such a desire in mind; indeed, the contrary appears to be true.

I should like to be promptly instructed in the matter.

WILSON

551.5F1/161 : Telegram

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

[Paraphrase]

GENEVA, September 20, 1931—12 noon.
[Received September 20—9 : 25 a. m.]

144. Legation's 135, September 17, 6 p. m. Yesterday when the Financial Committee met it was suddenly found that the Committee was in a position to conclude its work, and an adjournment took place after a meeting held late at night. The Financial Committee members have left. Out of consideration for the apprehensions set forth in the Department's 108, September 16, 4 p. m., Davis took no action to cause the adoption of the silver resolution.

Davis sails for home at the end of this week and will discuss matter with you in detail upon arrival.

WILSON

551.5F1/175 : Telegram

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

[Paraphrase]

LONDON, October 7, 1931—1 p. m.
[Received October 7—11 : 49 a. m.]

404. The British Government has postponed further consideration of the silver conference to a date after the election on October 27. Subsequently, the Secretary of State for the Dominions intends to discuss with me the possibility of a conference under Canadian auspices.

DAWES

551.5F1/177 : Telegram

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

[Paraphrase]

MEXICO CITY, October 23, 1931—6 p. m.
[Received October 24—12 : 37 a. m.]

363. In reference to the telephone message of the Under Secretary of State, October 20, and Castle's personal communication of October 19.

1. General Calles has just favored me with a preliminary conference.

2. My instructions, I explained, were to confer with him in his office as President of El Banco de Mexico. If the Mexican Government should be willing to sponsor a conference on silver, the United

States would not only accept but also appoint a strong delegation, and, if desirable, encourage the participation of other Governments. If, in his opinion, the proposal had merits, and his Government was amenable to assume the responsibility, I would informally act through the regular diplomatic channels.

3. Calles' immediate reaction was favorable. Since technical factors were involved, however, he preferred to discuss the idea with the Finance Minister and President Ortiz Rubio. Unless the Minister has already left for Acapulco, I shall have a decision tomorrow. The objections of that official—and I anticipate some—will probably be technical. I expect Calles to override them, however.

4. When a reference was made to the possible scope of the conference, I admitted my lack of information in that respect. An agenda prepared jointly by representatives of the Mexican and American Governments was suggested by the General. Such an arrangement, I replied, could probably be made.

5. Manifesting a concern over the deteriorating state of world affairs, the General stated his preference for an international economic conference. His Government, he added, ought not to take the initiative on such a project.

6. There was no body of men, I deplored, with the wisdom to cure civilization of its present economic ailment.

7. You will be advised of future events.

CLARK

551.5F1/183 : Telegram

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

[Paraphrase]

MEXICO CITY, November 3, 1931—5 p. m.
[Received November 4—2:50 a. m.]

370. Embassy's 363, October 23, 6 p. m.; 366, October 24, 5 p. m.[59]

1. This afternoon, I conferred with Montes de Oca, the Finance Minister. It seems that Calles himself was vague upon certain aspects of the silver conference proposal and had requested him to have me clarify them.

2. I reviewed for him the points which I had discussed with the General.

3. His greatest concern was lest the Governments which are invited should decline. Great Britain was uppermost in his mind because of the confused political situation there. My impression is that the Mexican Government would feel that it had lost prestige if a major power should not accept the invitation.

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[59] Latter not printed.

4. The most to be expected from an initial conference was an exchange of views, a point which I had sought to impress upon General Calles (see my 366, October 24, 5 p. m.). Montes de Oca seemingly concurred.

5. Pursuing this thought further, I ventured to say that the United States could not specifically instruct a delegation unless the entire international situation had been previously surveyed in a world conference. Again, the Minister was apparently in agreement.

6. At the outset, Montes de Oca maintained that the agenda should be outlined in detail prior to the conference. I reiterated my lack of information and instructions on this matter. Nevertheless, in view of what we had just considered in the 4th and 5th paragraphs above, I referred to the difficulty of establishing a specific formula to solve the problem in pre-conference discussions. This observation, too, presumably met with his approval. Moreover, he foresaw the possibility of more than one conference before the attainment of positive results.

7. I gained the impression that there was a disposition on the part of the Mexican Government to call a conference even though an immediate solution appeared unlikely. The Minister's only qualm was over the acceptance of the invitation (3d paragraph above).

8. The morning newspapers carried a story on the proposal of Senator King of Utah for a Pan American conference on the silver question. Montes de Oca felt that the issue could not be adequately treated at a regional meeting. I, too, expressed my doubts.

9. I reminded the Minister that in presenting my views I was uninstructed and unaware of the official American attitude.

10. We will confer again whenever there is anything for me to communicate.

CLARK

551.5G1/13 : Telegram

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

[Extract—Paraphrase]

LONDON, November 4, 1931—5 p. m.
[Received November 4—4:25 p. m.]

429.

. . . . . .

With reference to the proposal for a conference on silver, Mr. MacDonald manifested a prejudice against the calling of any conference in which the views of Great Britain did not coincide with those of the United States.

. . . . . .

DAWES

551.5F1/189 : Telegram

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

[Paraphrase]

WASHINGTON, November 19, 1931—4 p. m.

331. If participation of the great powers, especially the United States and Great Britain, is assured, Mexico will probably issue a call to an international conference on silver: the place, Mexico City; the time, this winter. This Government distinctly favors the conference idea, and hopes that the British will see fit to accept the invitation. Please sound them out on this matter.

STIMSON

551.5F1/190 : Telegram

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

[Paraphrase]

LONDON, December 16, 1931—4 p. m.
[Received December 16—12:35 p. m.]

462. As soon as I returned from Paris I consulted with the Foreign Secretary, Sir John Simon, on the issue referred to in the Department's 331, November 19, 4 p. m. Sir John assured me that the proposal would be discussed in the Cabinet, and that subsequently I would be informed. In turn, I shall cable the Department.

DAWES

PARTICIPATION OF THE UNITED STATES IN THE CONFERENCE OF WHEAT EXPORTING COUNTRIES, LONDON, MAY 18-23, 1931

561.311D1/6 : Telegram

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

[Paraphrase]

LONDON, April 24, 1931—3 p. m.
[Received April 24—2:30 p. m.]

119. G. Howard Ferguson, Chairman of the forthcoming Conference of Wheat Exporting Countries, sent me the letter which I am transmitting below. He sent this invitation in his office as Chairman of the aforementioned Conference, not in his capacity as Canadian High Commissioner in London. When he informally presented the invitation, later reduced to written form, I informed him that, in my opinion, the Department would probably transmit the invitation to the Farm Board, which was primarily concerned with such matters. Unless I hear otherwise from you, I shall proceed on the

assumption that any subsequent correspondence will be carried on between Ferguson, as Chairman of the Conference, and the responsible official on the Farm Board. The invitation is as follows:[60]

"You were good enough a few days ago to give me the opportunity of discussing with you the pending Conference of Wheat Exporting Countries to be held here on May 18th. I desire now to repeat in a more formal manner the invitation which I then verbally extended to you that the United States of America be represented at this gathering.

You will recall that I explained to you that after considerable discussion amongst the representatives of the forty odd countries who recently met in Rome,[61] there was a general feeling that there was more likelihood of progress being made in an effort to improve methods of distribution of surplus wheat stocks and the more orderly marketing of the crops of exporting countries if a smaller gathering consisting of representatives from wheat exporting countries alone could meet for the discussion of this question. This suggestion, which I had the honor to make to the general meeting, was approved, and the wheat exporting countries, after some consultation, decided to meet here on the 18th May. I was asked to organize and convene the Conference and I am busily engaged in that matter now.

An invitation has been sent to the Governments of the eleven exporting countries, and I expect all will be represented. You will, I am sure, concur in the view that if it is possible to find any method that will ameliorate the present unfortunate condition of the world's wheat situation, and provides for an avoidance of its recurrence, a great forward step will have been achieved toward the better adjustment of the present world-wide economic difficulties.

I confess to you at once that I am not sufficient of an expert to speak with assurance as to the fruits of the pending meeting. I feel very strongly, however, and I trust you will agree with me, that a general round-table frank discussion *in camera* amongst those who have wheat to sell can in no way increase our difficulties, and, on the other hand, may prove very helpful. We owe it, not only to the people of our respective countries, but to the world, to at least make a serious effort to better conditions.

The United States of America occupies a very prominent and influential position in the grain market of the world, and to have at this Conference the benefit of its wide experience and the business judgment of your representatives would be of inestimable value. I can assure you it will be a matter of deep regret if the United States is not represented, and the absence of such an important factor in the situation might easily render the cumulative effort of all the other countries barren of result.

Having these considerations in view, may I express the fervent hope that your country will recognize this Conference by having representatives present?

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[60] Letter not paraphrased.

[61] Preparatory Conference to the Second World Wheat Conference, Rome, March 26–April 2, 1931; for records of this Conference, see Institut International d'Agriculture, *Actes de la Conference Internationale Préparatoire de la IIème Conférence Mondiale du Blé, Rome, 26 mars–2 avril, 1931* (Rome, 1931).

I shall be deeply grateful if you will transmit this invitation to the proper authorities and will greatly appreciate an early and favorable reply."

DAWES

561.311D1/11

The Minister in Canada (MacNider) to the Secretary of State

No. 316 OTTAWA, April 24, 1931.
[Received April 28.]

SIR: With reference to the Legation's despatch No. 302 of April 8, 1931,[62] regarding the conference of wheat exporting countries to meet at London on May 18, 1931, I have the honor to report that a member of my staff endeavored, in the course of a conversation, to ascertain from the Under-Secretary of State for External Affairs the list of the countries invited to the above-mentioned conference by Mr. G. H. Ferguson, the chief Canadian delegate to the recent wheat conference at Rome. Dr. Skelton stated that the only reports received from Mr. Ferguson in regard to this matter had been by cable, and that, as far as the Government was aware, all the countries represented at the Rome conference had been invited; that Mr. Ferguson's invitations had been verbally issued to the delegates in Rome and that no actual list had been forwarded. He said that some further details might be available in a few days when written reports came in from Mr. Ferguson. He seemed to be unaware that the American citizens present at the Rome conference had no official standing and it is possible that, in the absence of an official representative, no invitation was extended to our Government. He said that he was going to discuss the general matter of the London conference with the Prime Minister.

In talking of the Rome conference, he intimated that the Canadian Government did not hold a very high opinion of the Institute or its method of procedure. This is in line with opinions expressed the previous day by the Assistant Deputy Minister of Agriculture, who was pessimistic regarding the Institute and the results of the recent Rome conference. The latter said that apparently the European nations were attempting to unite against the exporting nations of the American continent and that there seemed little prospect of an agreement in view of the European attitude.

The relationship of the London wheat conference to the adjourned Imperial Conference [63] and the relationship of the former's proposed export quota plan to the British Empire quota plan scheduled for study at the resumption of the Imperial Conference, are discussed in

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[62] Not printed.
[63] Imperial Conference, London, October 1–November 14, 1930; see Great Britain, Cmd. 3717, *Imperial Conference, 1930: Summary of Proceedings.*

an interesting editorial from the Montreal *Gazette* entitled "The Wheat Problem". Copy of this editorial is transmitted herewith [64] and it is interesting to note that Russia is apparently to be represented at London.

Respectfully yours, HANFORD MACNIDER

561.311D1/8 : Telegram

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

WASHINGTON, April 25, 1931—3 p. m.

105. Your 119, April 24, 3 p. m. I have been informed by our Legation at Ottawa that the Canadian Government is in the process of transmitting an official invitation to this Government to participate in this Conference. It is hoped that a decision in regard to this matter will be reached next week and an official reply forwarded to the Canadian Government. When this is done I shall telegraph you in order that you may informally advise Mr. Ferguson of the decision which has been reached. It is my desire that any communications in regard to this matter with London should pass through the Embassy and this Department.

STIMSON

561.311D1/14

The Canadian Chargé (Wrong) to the Secretary of State

No. 66 WASHINGTON, April 27, 1931.

SIR: I have the honour to bring to your attention the conference of wheat-exporting nations which will assemble on May 19th, 1931, in London at Canada House under the chairmanship of the High Commissioner for Canada in Great Britain, the Honourable G. Howard Ferguson. The conference has been convened pursuant to the following resolution adopted in Rome on March 31st, 1931, by the Preparatory Conference to the Second World Wheat Conference:

"The Conference, recognizing the importance of the orderly marketing of the export surpluses of wheat and being convinced that the present low price of wheat on the world's markets is a serious factor in the present economic depression, is of the opinion that it is desirable that the delegates of the countries exporting wheat, namely: The Argentine Republic, Australia, Bulgaria, Canada, Hungary, India, Poland, The Union of Socialist Soviet Republics, Rumania, and Yugoslavia, should meet together as soon as possible to formulate a plan on an international basis for the exportation of the 1931–32 crop. The above mentioned States will invite the Government of the United States of America to take part in their discussions."

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[64] Not reprinted.

I understand that the Canadian High Commissioner in London has informally notified the Ambassador of the United States there of the sense of this resolution, and has intimated to him that the Government of Canada hope that the Government of the United States will be able to participate in the Conference.

I have now been instructed, in fulfilment of the intention expressed in the final sentence of the resolution, to convey to you the desire and hope of His Majesty's Government in Canada that the Government of the United States may see their way clear to take part in the forthcoming conference at London. While it is realized that the interval between the date of the invitation and that of the conference is brief, the Government of Canada trust that the Government of the United States, mindful of the necessity of prompt and thorough exploration of the possibilities of concerted international action in arranging for the orderly marketing of exportable wheat surpluses, will be able to accept this invitation.

I have [etc.] H. H. WRONG

561.311D1/10 : Telegram

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

LONDON, April 28, 1931—11 a. m.
[Received April 28—8:55 a. m.]

124. Your 107, April 27, 4 p. m.[65] Ferguson says that no agenda has been prepared for proposed Conference. In effect the Conference is simply a gathering of the representatives of the wheat exporting countries to discuss whether or not in the present situation it is worthwhile to try to form some plan for the betterment of wheat market and if so what.

Ferguson will give me for transmission a full list of those who have accepted invitations within a few days.

DAWES

561.311D1/22

The Secretary of State to the Canadian Chargé (Wrong)

[WASHINGTON,] April 30, 1931.

SIR: I am in receipt of your note Number 66 of April 27, 1931 expressing the desire and hope of the Canadian Government that the Government of the United States may see its way clear to participate in the Conference of Wheat Exporting Nations which will assemble on May 19, 1931, in London at Canada House under the chairmanship of the High Commissioner for Canada in Great Britain.

[65] Not printed.

In reply I have to inform you that this Government accepts the invitation of the Canadian Government and that representatives of the United States will be designated in the near future to attend the Conference.

I have requested the American Ambassador in London to bring the foregoing informally to the attention of the High Commissioner for Canada in London.

Accept [etc.] For the Secretary of State:
W. R. CASTLE, JR.

561.311D1/34 : Telegram

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

WASHINGTON, May 6, 1931—6 p. m.

118. Your 119, April 24, 3 p. m. and subsequent correspondence in regard to the Conference of Wheat Exporting Countries. Will the Conference assemble on May 18 as stated in Mr. Ferguson's letter or on May 19 as stated in the official invitation of the Canadian Government?

Please inform Mr. Ferguson informally that the American representatives have been designated as follows:

The Honorable Samuel R. McKelvie, Member of the Federal Farm Board, former Governor of Nebraska—Delegate.

Mr. Nils Andreas Olsen, Chief of the Bureau of Agricultural Economics of the United States Department of Agriculture—Delegate.

Doctor Alonzo Englebert Taylor, Director of the Food Research Institute of Leland Stanford University—Technical Adviser to the Delegation.

Mr. Raymond Edwin Cox, first Secretary of Embassy—Secretary to the Delegation.

Please inform Cox of his designation and instruct him to attend all meetings of the Conference, to keep the Department informed through you of any important developments which may occur and to transmit any communications which the Delegation may desire to send to the Department.

STIMSON

561.311D1/53 : Telegram

The Chargé in Great Britain (Atherton) to the Secretary of State

LONDON, May 23, 1931—1 p. m.
[Received May 23—10:45 a. m.]

163. My 162, May 22, 7 [6] p. m.[66] For Federal Farm Board from McKelvie.

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[66] Not printed.

"Following resolution adopted at final session today to which American Delegation assented.

'The Conference of Wheat Exporting Countries, consisting of delegations appointed by the Governments of the United States of America, Argentine, Australia, Bulgaria, Canada, Hungary, India, Poland, Rumania, Soviet Russia and Yugoslavia, having studied the existing world wheat situation, is convinced that among the underlying causes for the present depressed prices for wheat, the following points should be specially mentioned.

1. The effects of the economic depression throughout the world.
2. The fact that there is more wheat produced than can be sold at a profit.
3. The absence of sufficiently adequate information regarding the movements of wheat, the requirements of certain countries, and the quantities which are liable to be placed upon the market.
4. The present uncertain state of the wheat markets.

The Conference recognizing the serious nature of the world economic depression, believes nevertheless that a substantial contribution to an improvement of the present situation may be made through a clearer understanding of the underlying facts regarding so important a commodity as wheat.

The Conference considers that where possible a reduction in the areas devoted to wheat would be undertaken in whatever way each country considers to be most effective and practical.

It was also felt to be especially desirable that there should be a careful exploration of all avenues for the greater utilization of wheat both for food and also for other purposes.

The Conference further considered that current information regarding the supply, the demand and the movements of wheat should be brought together in such a way as to assist the wheat exporting countries towards the orderly marketing of their surpluses.

The Conference of the Wheat Exporting Countries has therefore decided to establish a committee of the Conference consisting of one representative from each state participating in the Conference to

(*a*)—Submit to the Governments of the countries participating in this Conference a definite proposal for establishing, under the supervision of the committee of the Conference, a clearing house of information to serve the wheat exporting countries. For this purpose, the committee shall be empowered to secure from the states represented on the committee full information as to the unloadings and stocks of wheat at all importing points, the areas sown to wheat, noticing the crop prospects, thereby assisting the orderly distribution of wheat in world markets. This information should be provided as far as possible in the form prescribed and at the times fixed by the committee.

(*b*)—To explore carefully all possible avenues for the greater utilization of this important cereal.

The Conference, convinced that the existence of its standing committee will develop the contacts already established here between the wheat exporting countries, proposes that the committee may prepare

and recommend a draft agenda for a further meeting of the Conference at which countries here represented may enter upon the consideration of such subjects as may then be appropriate."

ATHERTON

561.311D1/62 : Telegram

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

WASHINGTON, May 26, 1931—2 p. m.

147. For Olsen from the Department of Agriculture. Cable your personal opinion fundamental value wheat clearing house and permanent participation of this Government. What evidence is there that clearing house will obtain data not obtainable by our foreign services and International Institute of Agriculture? Is there assurance Russia will furnish clearing house information not otherwise available? Will clearing house be able induce participating Governments to improve their official wheat statistics beyond improvements obtainable without creating a new agency?

STIMSON

561.311D1/73

The Chargé in Great Britain (Atherton) to the Secretary of State

No. 1976 LONDON, May 27, 1931.
[Received June 5.]

SIR: Referring to the Department's cable No. 118 of May 6, 6 p. m., I have the honor to transmit five copies of a report dated May 26, 1931, prepared by Mr. Raymond E. Cox, First Secretary of this Embassy, on the Conference of Wheat Exporting Countries held in London, May 18–23, 1931. Mr. Cox was Secretary of the American Delegation to this Conference. The enclosures to the report are being forwarded to the Department under separate cover with a cross reference to this despatch.

Respectfully yours, RAY ATHERTON

[Enclosure]

The Secretary of the American Delegation (Cox) to the Ambassador in Great Britain (Dawes)

LONDON, May 26, 1931.

SIR: I have the honor to submit the following report on the Conference of Wheat Exporting Countries held at Canada House, Trafalgar Square, London, May 18–23, 1931.

The Conference of Wheat Exporting Countries was convened in London at the invitation of the Canadian Government. The follow-

ing countries sent delegations: United States, Argentina, Australia, Bulgaria, Canada, Hungary, India, Poland, Roumania, Soviet Russia and Jugoslavia.

The Canadian High Commissioner in London, the Honorable G. Howard Ferguson, was elected Chairman of the Conference. The meetings were private.

The purpose of the Conference, as expressed by Mr. Ferguson at the first Plenary Session on May 18, was to discuss (1) the disposition of present accumulated wheat stocks in various countries; (2) improving the methods for handling and distributing the wheat surplus of the future.

Early in the proceedings clarification was given to the views on these two items held by the American delegation, the Russian delegation, and the delegations from Poland, Bulgaria, Hungary, Roumania and Jugoslavia, the latter five acting together as a group. The delegations from Poland and the four Danubian countries desired the formation of an International Wheat Board with headquarters in London to determine wheat export quotas for each wheat exporting country. Practically identical proposals to this effect were presented by the Polish, Roumanian and Hungarian delegations.

In the opinion of the American delegation, economic adjustment of production in keeping with the changed economic outlook was the best method of solving the problem of present wheat surpluses, without resort to quotas or anything to disturb the freedom of trade on international wheat markets. The American delegation made it clear that the United States would not participate in any International Wheat Board to fix export quotas. It gave to the Conference the reassuring statement that the supplies accumulated by the Federal Farm Board would not be dumped on European markets and thus demoralize them. It also stressed the desirability of capitalizing on present low wheat prices to extend wheat consumption in Oriental and tropical countries.

The Soviet delegation refused to accept acreage reduction as a solution of the problem as Russia aimed at increasing her present production rather than diminishing it. The Soviet delegation, however, was prepared to discuss the limitation of wheat exports on a quota basis subject to the following provisos: (1) The quota for Soviet Russia to be based on the quantity of wheat exported by Russia before the war; (2) the largest wheat exporting countries to participate in the scheme; (3) States adhering to the quota scheme should not conclude any separate agreements between themselves or with a wheat importing country or group of wheat importing countries.

At the outset, the Canadian, Australian and Indian delegations appeared to favor some quota plan, but the Canadian delegation held itself in reserve, never fully declaring its position. At the same time the Canadian delegation, together with the Argentine and Australian delegations, showed a receptive frame of mind to the attitude on the questions at issue adopted by the American delegation.

The points of view enumerated above proving to be irreconcilable, the delegates, in order to produce something tangible from the Conference proceedings, agreed to establish a Conference Committee consisting of one representative from each State participating in the Conference to—

"(*a*) Submit to the Governments of the countries participating in this Conference a definite proposal for establishing, under the supervision of the Committee of the Conference, a Clearing House of information to serve the wheat exporting countries. For this purpose, the Committee shall be empowered to secure from the States represented on the Committee full information as to the unloadings and stocks of wheat at all importing points, the areas sown to wheat, and the crop prospects, thereby assisting the orderly distribution of wheat in world markets. This information should be provided as far as possible in the form prescribed and at the times fixed by the Committee.

(*b*) To explore carefully all possible avenues for the greater utilisation of this important cereal."

This Committee would also prepare and recommend a draft agenda for a further meeting of the Conference at such time as is considered desirable. Mr. N. A. Olsen of the Department of Agriculture, one of the American delegates, was named the American representative on this Committee. The text of the resolution providing for the Committee, adopted at the final session of the Conference on May 23, was sent to the Department of State in the American Embassy's telegram No. 163 of May 23, 1 p. m.

There are transmitted under separate cover one copy each, in English and in French, of the documents distributed by the Secretary General of the Conference [67] (the yellow and white colored documents being the Minutes of the meetings, the gray folder and pink colored documents being general documentation. Of the latter pink group, possibly the most interesting are document No. 9, the statement of Honorable S. R. McKelvie, of the American delegation; documents Nos. 17, 18 and 19, the Polish, Roumanian and Hungarian proposals, respectively; and document No. 26, the statement of Mr. I. E. Lubimoff of the Soviet delegation.)

Documents Nos. 13 and 16, entitled "The Chadbourne Agreement" and "Effects of Protective Measures adopted by European Wheat

[67] None printed.

Importing Countries", are, at the request of the Chairman, to be considered strictly confidential.

There are also transmitted under separate cover a copy of the "Final Act of the Conference" (white paper), giving the text of the agreement finally reached by the delegates on May 23 as outlined above, and the Directory of the Conference, containing the names and titles of the various delegates and advisers. A copy of the "Final Act" is attached to this report, together with single copies of editorials from the London press commenting on the results of the Conference.[68]

Respectfully yours, RAYMOND E. COX

561.311D1/64 : Telegram

The Chargé in Great Britain (Atherton) to the Secretary of State

LONDON, May 28, 1931—3 p. m.
[Received May 28—1 : 35 p. m.]

166. Department's 147, May 26, 2 p. m. For the Department of Agriculture from Olsen.

"Countries represented Conference not recognizing fundamentals in solution wheat problem. Since clearing house would have creation participating nations believe it promising vehicle to obtain additional data such as port unloads, stocks requirements, also improve statistical economic services participating nations and influence production marketing policies exporting countries. No assurance can induce Russia supply additional statistics but clearly may uncover additional Russian information. Institute Agriculture not functioning adequately. Clearing house may stimulate reforms. Our foreign services can secure much valuable data but not in as strategic position as clearing house to influence activities other nations. Great effort at Conference to place American delegation in negative position. Clearing house purely informational and educational and believe our participating desirable."

ATHERTON

561.311D1/79

The Chairman of the American Delegation (McKelvie) to the Secretary of State

WASHINGTON, June 15, 1931.

GENTLEMEN: I am transmitting herewith copy of my report to the Federal Farm Board relative to the World Conference of Wheat-Exporting Nations held in London May 18 to 21 [*23*].

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[68] Enclosures not printed.

May I suggest that the American Embassy in France will be very glad to have a copy of this? The Embassy in London did not request it but, since Mr. Cox was secretary to the American delegation, I think they would be glad to have it.

Very truly yours, SAMUEL R. MCKELVIE

[Enclosure]

Report of the Chairman of the American Delegation (McKelvie) to the Federal Farm Board

JUNE 12, 1931.

The Conference of the Wheat Exporting Countries of the World, called by the Canadian High Commissioner, Mr. Ferguson, was held at Canada House, London, May 18th, 1931. Eleven countries, representing ninety-five per cent of the world exportable surplus of wheat, sent delegates. The resolutions of the Conference are appended.[69]

The meetings of the Conference were held *in camera.* The reason for this as expressed by Chairman Ferguson was to develop a full and free discussion. No observers were admitted. Communiqués were given to the press from time to time but these were in no sense significant of the discussions that took place in the committees, or in the plenary sessions of the Conference. Therefore news stories were based in no small part on what the reporters could gather wherever and however possible. Such delegates as were willing to talk gave color to their own views. This inevitably resulted in conclusion arrived at *ex-parte.* Aside from the formal statement of the Delegation from America, released in conformity with plans agreed upon in Washington, your delegates refrained from talking to the press until the Conference was over. We then sought to clarify our position without reference to what may have been said by other countries in press interviews.

The Delegation from America was in complete harmony as to the course we should pursue. The counsel of Dr. Taylor was invaluable on account of his intimate knowledge of the subject and his experience in other international conferences. So were the services of Dr. Olsen in interpreting the policy of the United States Department of Agriculture regarding acreage readjustment, land utilization and statistical data. Early in the session it devolved upon the writer to take a place on the Committee on Agenda. It was in this committee that many of the more intimate discussions took place, and the resolutions substantially as adopted were written by it. May I suggest as a result of this experience that any such conference in which the United States takes part is fraught with the possibility of serious implications.

[69] The document appended consists of the resolution quoted in telegram No. 163, May 23, 1 p. m., from the Chargé in Great Britain, p. 637.

The statement of the Federal Farm Board was presented on the second day. It was the only effort made by any country at a clear exposition of the world wheat situation. One was obliged to feel that many of the delegates were bored by it for they had not come to the Conference prepared to take a careful look at the facts. Instead they had plans, mostly impossible, for making their growers feel that the underlying laws of economy could be circumvented. Interest was expressed in that part of our conclusions in which it was said that stabilization supplies will not be "dumped." This was seized upon and repeatedly "interpreted" to mean that the United States was prepared to enter into a quota agreement. Your delegation permitted no such impression to prevail, though it finally took more than diplomatic language to make it clear that the Federal Farm Board would not be influenced by outside sources in determining its course in stabilization.

To enlarge upon this point: Poland and the Danubian countries have for many months been seeking international agreements based on export quotas. Associated with this plan are other factors of undoubted seriousness, such as preferential markets and international financing. At this time, the countries advocating the quota plan would have been well content with a recognition of the principle; indeed, that was all they proposed. Having gotten that the next steps would have come along in logical form.

The discussions hinged about this throughout the Conference. Russia gave hearty endorsement to it for the reasons (1) they would demand a quota equal to their five-year pre-war average (164,000,000 bushels), (2) they would claim the right to be financed during the period of so-called "orderly marketing," (3) limited exports by other countries would enable them to sell more wheat for more money, and (4) they would be joined with the United States in a mutual agreement among nations. It is only fair to say that Russia was more frank in stating their position than some other nations that indicated their support of quotas.

In course of the discussions, your representatives called for a statistical exposition of how the quota plan would work: What would be the quantities that each country might export; how would the periods of marketing quotas be determined and by whom; and how would the "pool" be controlled? No effort was made to give the answer. In fact one prominent delegate said that if this information was insisted upon we had as well adjourn. He should have said that to attempt such an agreement would mean prompt dissolution of the Conference for the responsibility for the surplus would then have been fixed and none of the countries except the United States had even recognized this fact, to say nothing of making an effort to rectify it. Apparently

they were willing to say to their farmers that they could continue to grow as much wheat as they wish and other countries (principally the United States) would take care of it.

We then asked what authority the delegates had to pledge, or even propose a pledge of their various countries to the quota plan. Perhaps Russia alone could have given an affirmative answer. Several said they had no such authority. This again indicated that it was a recognition of the principle and not the plan that they wanted. In some instances it was a clear case of political face-saving.

Your representative said that we alone had made contributions to the solution of this problem. For months on end the United States had been out of the export market, and as a result of this we had helped every other exporting country. At no time had we dumped our wheat nor would we. This should not be construed to mean that we would continue to "hold the umbrella." Meanwhile we had urged our growers to reduce acreage and production. We had no intention of abandoning the world market but we hoped to get back to a pre-war export basis. All of this had been done in the interests of our own growers and we asked no sympathy or commendation for it. We did hope other countries would do likewise. Meanwhile they were in a poor position to ask our approval of a policy that was unsound in principle and wholly unworkable, except as it might come about through the organization and cooperation of growers themselves. Governments could not hope to do it.

The Committee then prepared the resolutions wherein substantial recognition was given to principles that are in accord with what the United States Department of Agriculture and the Federal Farm Board have been trying to accomplish.

All in all the Conference may be regarded as having been worth while. Largely speaking each country will have to approach the question in its own way. This is facilitated and expedited by conversations that lay bare the underlying facts. Acreage reduction is coming about in Australia, Argentine and Canada through sheer necessity. It will be hastened by a realization that there is no legerdemain by which such abnormal quantities of wheat can be disposed of at a profit to the grower. It is apparent that Russia is not so happy with her situation, and some of the Balkan States are looking to other crops than wheat. These are encouraging signs.

The proposal to develop a clearing house of information has very good possibilities. Mr. Olsen will serve on the committee that will study this question. It looks to the development of more accurate information regarding acreage, crop conditions, out-turn and unloadings in import markets. Russia's approval of this proposal should mean that important information needed from that country will now

become available, and if it is, one of the most highly speculative elements in the market will have been removed. The form that the clearing house may take remains for the Committee to recommend to the several governments.

The conversations were spirited at times but good feeling prevailed throughout. At the close, Russia was inclined to be critical of the United States and gave out a statement blaming us for what they regarded the failure of the Conference. We made no reply, being content to feel that the failure of Russia to get the commitments she wanted did not signify the failure of the Conference. Rather the reverse was true. We had no favors to ask and could be unprejudiced in our views.

CONVENTION BETWEEN THE UNITED STATES AND OTHER POWERS FOR LIMITING THE MANUFACTURE AND REGULATING THE DISTRIBUTION OF NARCOTIC DRUGS, CONCLUDED AT GENEVA, JULY 13, 1931[70]

511.4A6/113

The British Ambassador (Lindsay) to the Secretary of State

No. 323 WASHINGTON, August 22, 1930.

SIR: You will recall that during the discussions held on the occasion of the Third Meeting of the Fifty-ninth Session of the Council of the League of Nations regarding the conference to be held on the Limitation of Manufacture of Dangerous Drugs—the date for which had been previously fixed by the Council as December 1st, 1930—His Majesty's Government, in order to give effect to a proposal for a preliminary consultation between the governments of the manufacturing countries with a view to facilitating discussions at the main conference, offered to take the initiative in calling a preliminary conference of manufacturing countries at the end of July. It became later apparent that the preparatory work undertaken by the Secretariat of the League of Nations—which would be requisite for a preliminary conference—was not sufficiently advanced to allow of such a conference being held as early as the end of July. His Majesty's Government accordingly informed the Secretary General of the League of Nations on July 9th that since the material necessary for the use of the preliminary conference was not yet available, it was impossible for them to convene the conference as originally intended. Moreover, His Majesty's Gov-

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[70] See also Department of State Conference Series No. 10, *Conference on the Limitation of the Manufacture of Narcotic Drugs, Geneva, May 27–July 13, 1931: Report of the Delegation of the United States to the Secretary of State* (Washington, Government Printing Office, 1932).

ernment were not at that time in a position to suggest a suitable alternative date.

I now have the honour to enquire whether the United States Government would be disposed to participate in such a preliminary conference, and to inform you that similar enquiries are being addressed to the French, Netherlands, Swiss, German and Japanese Governments.

I am to add that my Government now contemplate that the preliminary conference should be held at Geneva and consider that the last Monday in October [71] would be the earliest suitable date for its opening. This date, however, is provisional only, and may require to be postponed should the material necessary to enable the conference to come to a conclusion not have by then become available.

I have [etc.] R. C. LINDSAY

511.4A6/122

The Secretary of State to the British Ambassador (Lindsay)

WASHINGTON, September 12, 1930.

EXCELLENCY: In reply to your note No. 323, of August 22, 1930, I have the honor to inform you that it is expected that Mr. John K. Caldwell, a Consul General on duty in the Department of State, will be in Europe about the time that the proposed preliminary conference of the Governments of the countries in which narcotic drugs are manufactured is to occur, and that he will probably be able to be present at the conference.

It would be appreciated if you would be so good as to transmit, at your earliest convenience, the material for the use of the conference referred to in your note under acknowledgement, together with any further information which may be available regarding the nature of the matters to be considered.

Accept [etc.] For the Secretary of State:
J. P. COTTON

511.4A6/132

The British Ambassador (Lindsay) to the Secretary of State

No. 365 WASHINGTON, 26 September, 1930.

SIR; With reference to my note No. 350 of the 18th instant [72] and previous correspondence regarding the proposed preliminary conference of the Governments of the countries in which narcotic drugs are manufactured, I have the honour to inform you that I have now re-

[71] October 27, 1930.
[72] Not printed.

ceived the reply of His Majesty's Principal Secretary of State for Foreign Affairs to the points raised in your note of the 12th instant.

Mr. Henderson [73] states that the matters to be discussed at the preliminary conference are indicated in paragraph 8 of appendix 5 of the Opium Advisory Committee's Report on the work of its thirteenth session,[74] and that it is not proposed to bring up any other subjects. Mr. Henderson adds that it is understood that Mr. Caldwell has already received direct from the League of Nations the documents which have hitherto been issued for the use of the preliminary conference, that further documents are in course of preparation and that it is presumed that Mr. Caldwell will receive them in due course.

I have [etc.] R. C. LINDSAY

511.4A6/172

The Chargé in Switzerland (Moffat) to the Secretary of State

No. 1723 BERNE, October 28, 1930.
L. N. No. 1843 [Received November 10.]

SIR: I have the honor to transmit herewith a communication addressed to you from the Secretary General of the League of Nations dated October 27, 1930 (C.L.292(b)1930.XI)[75] in which he informs you of the decision of the Council of the League of Nations to convert the Conference on the Limitation of the Manufacture of Narcotic Drugs which was originally confined to a certain number of States into a General Conference for all States, the date of this Conference having been fixed as May 27, 1931.

The communication further informs you of the list of countries invited to the Conference of Manufacturing States to be held in Great Britain beginning October 27, 1931 [*1930*]. These countries are: France, Germany, Great Britain, India, Italy, Japan, Netherlands, Switzerland, Turkey, United States of America, the Union of Socialist Soviet Republics.

There are enclosed with the communication copy of the Minutes of the Sixtieth Session and Sixty-first Session of the Council, the Report submitted to the Fifth Committee of the Eleventh Assembly on the traffic in opium and other dangerous drugs, together with a copy of the report of the Fifth Committee to the Assembly on the same question.

Respectfully yours, PIERREPONT MOFFAT

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[73] Arthur Henderson, British Secretary of State for Foreign Affairs.
[74] League of Nations document C.138.M.51.1930.XI.
[75] Not printed.

511.4A6/174 : Telegram

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

LONDON, November 12, 1930—1 p. m.
[Received November 12—10 a. m.]

293. From Caldwell: Conference closed without reaching agreement on quotas.[76] Discussion will be continued in Advisory Committee in January and in the meantime representatives of British, Swiss, German and French Governments are to have further conversations among themselves.

I am sailing on the *Leviathan* on the 18th. [Caldwell.]

DAWES

511.4A6/194 : Telegram

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

WASHINGTON, December 23, 1930—6 p. m.

Your December 20, 9 a. m.[77] Since London Preliminary Conference was called merely to prepare certain material for the May Conference, which this Government has not yet agreed to attend and since the American representative[78] had not formally accepted on behalf of this Government any of the results of the Preliminary Conference, he did not consider it necessary or advisable to have any formal reservation of the position of this Government appear in the report issued by the Conference. However, when formal reservations were made by certain delegates the American representative stated that his failure to make any formal reservation for incorporation in the report of the conference should not be understood as committing the Government of the United States in any way in regard to the measures which had been discussed by the Conference. In reply, the President of the Conference stated that all delegates were in the same position; that none of the delegates were plenipotentiaries and no Government would be bound by any decision of the Conference; that all that the Conference could do was to make recommendations and submit proposals for the consideration of the various Governments and for the consideration of the Advisory Committee and the May Conference; and that all of the Governments represented at the London Conference were at liberty to start quite a different scheme if they saw fit. No delegate disagreed with this view.

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[76] See League of Nations, *Traffic in Opium and Other Dangerous Drugs; Conference on the Limitation of the Manufacture of Dangerous Drugs: Report of the Preliminary Meeting of Official Representatives of the Manufacturing Countries, Held in London, October–November 1930* (C.669.M.278.1930.XI).

[77] Not printed.

[78] J. K. Caldwell.

You are at liberty to make such use of the above information as you see fit.

STIMSON

511.4A6/216

The Secretary of State to President Hoover

THE PRESIDENT: An invitation has been extended to the Government of the United States by the Secretary General of the League of Nations on behalf of the Council of the League of Nations,[79] to send one or more delegates, invested with the necessary plenary powers, to represent it at the Conference on the Limitation of the Manufacture of Drugs (covered by Article 4 (*b*), (*c*) and (*g*) of the Opium Convention of Geneva [80]) which will be held at Geneva on May 27, 1931.

The invitation from the Secretary General of the League of Nations stated that invitations were being sent only to the Governments of the manufacturing countries and to certain consuming countries, but a resolution adopted by the Assembly of the League of Nations in September, 1930, provided that invitations should be sent to all States, members or non-members of the League of Nations.

Although the resolution of the Assembly of the League of Nations adopted at its session in September, 1929, referred only to a limitation of the manufacture of the drugs covered by Article 4 (*b*), (*c*) and (*g*) of the Opium Convention of Geneva, the discussions concerning the Conference in the League Opium Advisory Committee in January and February, 1930, and during the Plenary Conference held in London from October 24 [*27*] to November 11, 1930, on the invitation of the British Government, indicate that it may be possible to bring about the discussion by the Conference of certain drugs outside of the above mentioned categories which, in the opinion of this and of certain other Governments, should be covered by an international agreement concerning the limitation of manufacture of narcotic drugs.

This Government has long recognized the importance of the subject to be discussed at the conference, both from the point of view of the protection of the people of the United States, and as a matter of world humanitarian interest.

The Government of the United States has realized the impossibility of preventing by its own efforts the smuggling into its territory of narcotic drugs manufactured abroad in excessive quantities, on account of their high value and small bulk, which make their detection impossible without investigations which would unduly interfere with legitimate commerce. It has been the aim of this Government to bring about

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[79] League of Nations circular letter of June 14, 1930 (C.L.116.1930.XI); not printed.

[80] Signed February 19, 1925; League of Nations Treaty Series, vol. LXXXI, p. 317.

international cooperation in dealing with this problem and to persuade other governments to limit the amount of narcotic drugs manufactured to the amounts required for medical and scientific purposes. To this end it took the initiative in bringing about the International Opium Commission at Shanghai in 1909 [81] and the conference at The Hague,[82] which resulted in the Hague Opium Convention of 1912,[83] the first international agreement on this matter. This Government participated in the second Geneva Conference of 1924,[84] under the authorization contained in the joint resolution of Congress of May 15, 1924, but has not signed the resulting convention because it was not considered to be a sufficient advance over the Hague Convention of 1912.

It has furthermore been and continues to be the policy of this Government, both in regard to its domestic situation and internationally in cooperation with the other Powers, to seek the enactment of pharmacy laws and regulations which will limit the manufacture, the sale and the use of morphine, cocaine and their respective salts to the medical needs of the world. (Cf. Hague Convention, Chapter III, Article 9.) With this in view, this Government on October 14, 1926, addressed an instruction [85] to the American diplomatic representatives in the countries signatory to the Hague Convention directing them to bring to the attention of those Governments the steps which have been taken for the control of the manufacture of and traffic in narcotic drugs within the territorial limits of the United States pursuant to the requirements of the Hague Convention and to point out the need for similar control in other countries, particularly those producing opium derivatives, if the illicit international traffic in these drugs is to be eradicated.

As a further means of meeting this situation and because of the increasing evidence that illicit narcotics found within the territorial limits of the United States by the preventive forces of this Government originated from sources outside of the territorial limits of the United States, the Department, in December, 1927, directed its representatives at various capitals to arrange with the governments concerned for the direct exchange of information, relating to persons and organizations engaged in the illicit international traffic in narcotic drugs, between the officers directly concerned with the control of that traffic in the United States and the corresponding officers in such foreign Governments. Arrangements have already been effected for such a direct exchange of information with the Governments of nineteen countries.

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[81] See Department's instructions of January 31, 1907, *Foreign Relations*, 1907, pt. 1, p. 144. For correspondence concerning the Shanghai inquiry, see *ibid.*, 1909, pp. 99 ff.

[82] See *ibid.*, 1912, pp. 182 ff.

[83] Signed January 23, 1912, *ibid.*, p. 196.

[84] See *ibid.*, 1924, vol. I, pp. 89 ff.

[85] *Ibid.*, 1926, vol. I, p. 250.

It is of interest to note, in this connection, a recent case indicative of the extent of the efforts to smuggle narcotic drugs into the United States. On December 15, 1930, there was seized on the Steamship *Alesia* at New York 17,500 ounces of morphine concealed in twenty-five cases manifested as furs, consigned to order at New York.

In view of the importance of this matter to the Government of the United States, I have the honor to recommend that the Congress be requested to enact legislation authorizing an appropriation of $35,000 for the expenses of participation by the United States in the Conference on the Limitation of Manufacture of Narcotic Drugs to be held at Geneva, Switzerland, on May 27, 1931.

As a matter of convenience a tentative draft of the desired legislation is enclosed herewith.[87]

Respectfully submitted, HENRY L. STIMSON

WASHINGTON, January 20, 1931.

511.4A6/240

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

No. 1931 BERNE, March 12, 1931.
L. N. No. 1955 [Received March 26.]

SIR: I have the honor to forward herewith a communication addressed to you by the Secretary General of the League of Nations, under date of March 11, 1931 (C.L.44.1931.XI),[88] with which he encloses the report of the Advisory Committee on Traffic in Opium and other dangerous drugs, (C.168.M.62.1931.XI), drawn up by that Committee with a view to the limitation of manufacture of narcotics and draft convention to that purpose.

Under instructions from the Council, the Secretary General further invites your attention to the fact that the draft convention is somewhat wider in scope than the original resolution of the Tenth Assembly. The Council has also decided to submit to the Governments the suggestion contained in the letter addressed to it by the President of the Permanent Central Board, dated January 9th, 1931 (C.110.-1931.XI, of which a copy is enclosed [88]), in which he invites attention to a divergence between the English and French texts of Article 24 of the Geneva Convention.

The Secretary General requests you to take the necessary steps that the delegates of the American Government to the May Conference may

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[87] For President Hoover's message to Congress on January 21, 1931, and the draft of a joint resolution, see S. Doc. 256, 71st Cong., 3d sess.

[88] Not printed.

be in a position both to deal with the question raised by the President of the Permanent Central Board and to discuss the limitation of all derivatives of opium and the coca leaf, as well as the control of the quantity limited by the future convention.

Respectfully yours, HUGH R. WILSON

511.4A6/235 : Telegram

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

WASHINGTON, March 17, 1931—6 p. m.

31. Department's telegram, July 22, 1930.[89] Inform the Secretary General of the League of Nations, in reply to his note of June 14, 1930,[89] that this Government accepts the invitation to participate in the conference on the limitation of the manufacture of narcotic drugs to be held on May 27, 1931, and that the delegates will be John K. Caldwell, Chairman; Harry J. Anslinger (Commissioner of Narcotics); Dr. Walter Lewis Treadway (Assistant Surgeon General, Chief, Division of Mental Hygiene); and Sanborn Young, a member of the Senate of the State of California.

The Department desires that Winthrop Greene[90] act as Secretary and Vice Consul Smith[91] act as disbursing officer of the delegation. Names of technical and clerical assistants will be communicated later.

STIMSON

511.4A6/288 : Circular telegram

The Secretary of State to Certain Diplomatic Representatives in Latin America[92]

WASHINGTON, May 6, 1931—4 p. m.

Please inform the Government to which you are accredited that this Government has accepted the invitation to participate in the Conference on the Limitation of the Manufacture of Narcotic Drugs which is to convene in Geneva on May 27th; that this Government, as it has stated frequently in the past, believes that the suppression of the illicit traffic in narcotic drugs can be accomplished only by international cooperation of all Governments; and that this Government would be much interested in being informed whether the Government

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[89] Not printed.

[90] Third Secretary of Legation in Switzerland.

[91] Marc Smith, at Geneva.

[92] The diplomatic missions in Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, and Peru.

to which you are accredited intends to participate in the Conference referred to. Please reply by telegraph as soon as possible.[93]

STIMSON

511.4A6/296

The Secretary of State to the Chairman of the American Delegation to the Conference on the Limitation of the Manufacture of Narcotic Drugs (Caldwell)

WASHINGTON, May 8, 1931.

SIR: With reference to the Department's instruction informing you of your appointment as Chairman of the American Delegation to the Conference on the Limitation of the Manufacture of Narcotic Drugs which is to convene at Geneva on May 27, 1931, you should be guided during your participation in the Conference, by the following general instructions. Telegraphic instructions should be requested in regard to any matters which, in the opinion of the Delegation, are of fundamental importance and are not clearly covered by these instructions:

1. The note from the Secretary General of the League of Nations, dated June 14, 1930, which invited this Government to participate in the Conference quoted the following resolution adopted by the Tenth Assembly of the League of Nations on September 24, 1929, following the report of its Fifth Committee regarding the purpose and scope of the Conference:

"The Assembly,

"Impressed by the disclosures made in the report of the Advisory Committee as to the large quantities of dangerous drugs still passing in the illicit traffic;

"Recalling the proposals made in connection with the Geneva Conference of 1924–25 for the direct limitation by agreement between the Governments of the manufacturing countries of the amount of such drugs manufactured;

"Taking note of the important declaration made in the course of the present meeting of the Assembly by the representative of France that his Government has decided to impose such limitation on its manufacturers, and of the declarations made by other Governments as to limitation;

"Recognising that the Geneva Convention of 1925 provides indispensable machinery for the national and international control of the traffic in drugs, the effective application of which should be secured in all countries at the earliest possible date; but that, owing to the delay in bringing the Convention into force, its full effects cannot be realized in the near future;

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[93] Telegraphic replies were received in the affirmative from Chile, Costa Rica, Dominican Republic, Ecuador, Argentina, Bolivia, Guatemala, and Paraguay, and in the negative from Colombia, Honduras, Haiti, El Salvador, Panama, and Nicaragua. By mail Peru replied affirmatively and Brazil negatively.

"Desiring that, if possible, steps supplementing the Convention should be taken without delay to limit the manufacture of dangerous drugs to the amounts required for medical and scientific purposes;

"(I) Regards the principle of the limitation of the manufacture of the drugs mentioned in paragraphs (*b*) (*c*) and (*g*) of Article 4 of the Convention of Geneva by international agreement as now accepted;

"(II) Requests the Advisory Committee to prepare plans for such limitation, regard being had to world requirements for medical and scientific purposes and the means of preventing an increase in price which would lead to the establishment of new factories in countries which are not at present manufacturing countries;

"(III) The Committee's report will be submitted to the Council, which will decide on the convening of a Conference of the Governments in whose countries the above-mentioned drugs are manufactured and the principal consuming countries in a number not exceeding that of the manufacturing countries, and whether certain experts proposed by the Opium and the Health Committees should be included;

"(IV) Recommends that the Advisory Committee be enlarged in order to ensure more effective representation on that Committee of the non-manufacturing countries;

"(V) Agrees that the sum of 25,000 Swiss francs shall be included in the budget of the League for 1930 in order to meet the expenses of such a Conference."

A subsequent note from the Secretary General of the League of Nations dated March 11, 1931,[94] enclosed "the report of the Advisory Committee on Traffic in Opium and other Dangerous Drugs on the plan drawn up by it with a view to the limitation of the manufacture of narcotics, and also a draft Convention for that purpose, likewise drawn up by the Committee at its Fourteenth Session," (a copy of which is enclosed).[95] The Secretary General stated that he had been instructed by the Council to draw the attention of this Government to the fact that "the provisions of the draft Convention are somewhat wider than the resolution of the Tenth Assembly, which provided for the limitation of the manufacture of narcotics referred to in Article 4 (*b*), (*c*), (*g*) of the Geneva Opium Convention, whilst the draft Convention proposes to extend certain of the provisions of the Convention to other drugs not covered by the Geneva Convention."

On page 2 of the report of the Advisory Committee there appears the following paragraph quoting the text of the Resolution regarding the scope of the Conference, which was introduced in the Council by the Spanish representative on January 24:

"M. Quiñones de León asked that, at the end of the paragraph beginning: 'The Council has before it a letter . . .', after the words 'next Conference', there should be inserted the words: '. . . and to discuss

[94] Not printed.
[95] League of Nations document C.168.M.62.1931.XI.

the limitation of all derivatives of opium and the coca leaf, as well as the control of the quantity limited by the future Convention'."

2. This Government is of the opinion that in addition to the indirect limitation of manufacture which may result from the application of the import and export certificate system and other measures designed to control the distribution of narcotic drugs, it would be distinctly advantageous to effect a direct limitation of the quantities of all dangerous and potentially dangerous narcotic drugs to be manufactured, and you should lend your support to any scheme which seems likely to achieve that end.

3. The plan prepared by the Opium Advisory Committee of the League of Nations will, presumably, be the first plan to come up for discussion at the Conference. Since it is incomplete in certain fundamental respects and embodies detailed provisions which will involve administrative difficulties, it should be regarded only as a basis for discussion.

4. This Government is of the opinion that, as a matter of practical administration, it will not be possible to apply effectively any scheme for the limitation of manufacture without limiting the quantity of raw materials which factories are permitted to transform into narcotic drugs, and you should endeavor to have provision for this included in the convention. It would, of course, be essential that the morphine content of the raw materials be determined by government assay and that the quantities of dangerous narcotic drugs manufactured from such raw materials be checked against the government assay.

5. Particular care should be exercised in drafting a limitation convention to ensure the adoption by all signatories of adequate measures for the control of the distribution of narcotic drugs, bearing in mind that certain countries which may sign the proposed convention may not be signatories of existing narcotics conventions.

6. While it would be clearly advantageous for the proposed convention to be drafted in such a way that this Government could be a party to it, the American Delegation should not oppose a convention which would be acceptable to other governments and inacceptable to the United States Government, provided it would seem likely to accomplish the desired restriction of manufacture, since the manufacture of narcotic drugs is already restricted in the United States and since the proposed convention would presumably not effect any further limitation of manufacture in this country. The failure of this Government to sign would not make possible over-manufacture of dangerous narcotic drugs which would be a menace to any other country.

7. The successful operation of any scheme for the direct limitation of manufacture would seem to involve the communication by all countries to a central office of estimates of the quantities of narcotic drugs

required for domestic consumption and the checking by the central office against such estimates of exports from manufacturing countries.

8. The proposed convention should include provisions which would prevent the nullifying of its provisions by a large re-export trade. It would seem to be advisable, if possible, to limit the movements of dangerous narcotic drugs by re-export to one re-exportation, and that the right of re-exportation be restricted as much as possible.

9. If it should prove to be impossible to obtain agreement upon a convention based on the quota idea contained in the Opium Advisory Committee draft, the principles of the "Scheme of Stipulated Supply", or a combination of both, consideration should be given to the possibility of obtaining agreement upon a scheme which would provide for:

a. The submission to a central office of annual estimates of needs of dangerous or potentially dangerous narcotic drugs for domestic consumption and for conversion into non-dangerous substances;

b. An undertaking on the part of governments in which factories are situated that they would permit their factories to obtain only such quantities of raw materials as would provide for the manufacture of the quantities of narcotic drugs which in their opinion, based on available information, are clearly essential for medical and scientific purposes;

c. The checking by a central office of proposed exports of dangerous and potentially dangerous narcotic drugs, in advance of the issuance of an export permit, in order to prevent exports of such drugs to any country in excess of the quantity which it should be allowed to import on the basis of its estimates.

Very truly yours, HENRY L. STIMSON

511.4A6/322 : Telegram

The Chairman of the American Delegation (Caldwell) to the Secretary of State

GENEVA, May 30, 1931—3 p. m.
[Received 5:30 p. m.]

4. During the general discussion at the specific request of the President I made a brief statement which was well received this morning at the plenary session of the Opium Conference embodying the following principles:

(1) No plan yet presented is entirely acceptable to the United States.

(2) The United States is prepared to assist in obtaining any practical means by which limitation of manufacture may be attained.

(3) Stated belief that there should be a limitation of the quantities of raw materials which manufacturers are allowed to use thus automatically limiting products.

(4) Import and export certificate system should be applied to all opium and coca leaf derivatives.

(5) Governments should account for all imports, manufacture, sales and exports of all raw materials and drugs.

Full copy by open mail.[96]

CALDWELL

511.4A6/342 : Telegram

The Chairman of the American Delegation (Caldwell) to the Secretary of State

GENEVA, June 10, 1931—11 a. m.
[Received 4:53 p. m.]

13. Nearly 2 weeks of the Conference have been spent in general discussion without reference to details of any plan. Plenary sessions have been abandoned temporarily to permit committees named in my telegram No. 9, June 3, 5 p. m.[97] to consider the nearly 50 amendments to draft convention which have been referred to them. It is understood from confidential sources that an agreement regarding quotas was reached between certain countries but that it did not include Turkey and Yugoslavia; Yugoslavia announced in plenary session that a large factory for production of drugs for export was started in Yugoslavia in March of this year; efforts were made outside the Conference by the group which agreed on quotas to draw in Turkey and Yugoslavia but without success, Turkey demanding both a quota of 30 percent of the total world needs and a guaranteed sale of 30 percent of her raw material at a good price and Yugoslavia making some demands which were unacceptable. Consequently quota advocates avoided giving the Conference any details regarding quota agreement or negotiations probably in belief that they had a chance to discuss amendments out of existence and persuade Conference to accept principle of quota plan without quotas, realizing that if it were openly admitted that there was no chance to include Turkey and Yugoslavia there would be little hope of securing adoption of quota plan. Numerous references to this lack of information about quotas have been made by this and other delegations in hope of bringing about a degree of success in decision on quota plan.

A few days ago the Japanese delegation presented an amendment the basic principles of which correspond to the ideas of this delegation. When discussion of Japanese amendment began yesterday it became necessary to present our amendments which go further than the Japanese amendment but are not in conflict with it. Consequently this

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[96] For text, see Department of State Conference Series No. 10, p. 6.
[97] Not printed.

delegation submitted amendments to articles 8, 9 and 10 the essential points of which are submitted:

(1) Omission of quotas thereby avoiding denying to any signatory of proposed convention the right to manufacture under its terms either for domestic consumption or export;
(2) Limitation of quantities of raw materials allowed to manufacturers; thereby limiting quantities of all narcotic drugs that may be manufactured;
(3) Limitation of stocks of all narcotic drugs both for domestic consumption and for export, latter not to exceed 50 percent of previous years exports and additional manufacture for export to be permitted only as export orders are received.

The French delegate also introduced a brief amendment along the same lines and it seems probable that Japanese, French and American amendments can be incorporated in a plan which will have the support of all three delegations and of several other delegations also.

We will submit additional amendments shortly to complete a working scheme which will include estimates of needs and a means of preventing exports from exceeding those estimates.

There has been no advocacy of the Crane [98] plan thus far in the Conference.

Full text of our amendments being sent by open mail but will not be telegraphed unless requested.

CALDWELL

511.4A6/345 : Telegram

The Chairman of the American Delegation (Caldwell) to the Secretary of State

GENEVA, June 15, 1931—1[*2?*] p. m.
[Received June 15—11 : 10 a. m.]

17. Made statement in Limitation Committee, June 13, to the effect that:

(1) Quota plan in original form unacceptable to United States;
(2) That if sufficiently changed to be satisfactory it would no longer be in reality a quota plan, and that
(3) Delegation considered principle of Franco-Japanese plan a more a basis of [*acceptable*] and practical basis for a convention. I referred again to our hope that any convention concluded would include provisions for the limitation of raw materials available to factories and the consequent limitation of all derivatives.
(4) The delegation placed before the Conference amendments to the first 16 articles of draft plan referred to in my telegram No. 13,

[98] C. K. Crane, of Pasadena, California.

June 10, 11 p. m. [*a. m.*], with explanatory statement. Copies of speech, articles and explanation by open mail.[99]

CALDWELL

511.4A6/353 : Telegram

The Chairman of the American Delegation (Caldwell) to the Secretary of State

GENEVA, June 22, 1931—9 a. m.
[Received June 22—7 : 52 a. m.]

21. During the past week unsuccessful efforts were made in the Limitation Committee and in private conversations to produce a compromise draft from the Japanese, French and British drafts. Friday Limitation Committee adopted the Japanese-French amendments as the basis of discussion by a vote of 14 to 2 with 6 abstentions. The 2 negative votes were Great Britain and the Soviet Union, the latter explaining his vote on the ground that nothing short of limitation of production of raw material would effect limitation of manufacture. Yesterday full Conference confirmed this by a vote of 27 to 3 with 6 abstentions, negative votes being Great Britain, Soviet Union and Denmark. I voted in the affirmative and gave reasons as outlined herewith.

(1) We did not come with complete plan in opposition to quota plan but hoped to effect necessary alterations in it.

(2) When it became evident that it was not possible to arrange quotas we gave our approval to the Japanese-French proposals as the basis of discussion since they were in accordance with our ideas. Drafting will now proceed on the basis of the Japanese-French proposal, our draft and as much of the quota plan as can be used.

American proposals regarding raw materials entering factories were discussed during past week; as agreement could not be reached at that time I requested that discussion be deferred until Conference has before it the Japanese-French proposal in amended form; in the meantime am endeavoring in private conference to reach an agreement and avoid a division on this question.

The Technical Committee after much discussion voted 9 to 9 against the Austrian proposal to abolish heroin manufacture but approved Polish amendment as amended by another Austrian amendment to prohibit heroin exports except to government agencies; the technical experts strongly advocated abolition of heroin manufacture and made very strong and interesting reports partly in writing and partly on the floor of the Committee.

CALDWELL

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[99] Not printed.

511.4A6/365 : Telegram

The Chairman of the American Delegation (Caldwell) to the Acting Secretary of State

GENEVA, June 30, 1931—4 p. m.
[Received June 30—12:10 p. m.]

31. Conference today approved: (1) Turkish proposal to destroy future seizures and, (2) Yugoslav proposal to destroy seized drugs in stock when convention becomes operative.

Although proposals were made obviously in the interest of raw material producers, this delegation felt compelled to vote in favor of the principle in (1) and refrained from voting on (2).

CALDWELL

511.4A6/371 : Telegram

The Chairman of the American Delegation (Caldwell) to the Acting Secretary of State

GENEVA, July 2, 1931—10 a. m.
[Received 11:58 a. m.]

34. It is proposed that the convention now being drafted shall contain the following articles of the Geneva Convention, probably copied in without reference to that Convention:

Chapter 3, Internal control of manufactured drugs; Chapter 5, Control of international trade; Chapter 6, Permanent control board.

The Department's instructions are requested as to whether this delegation should sign a convention containing these articles and if not, what action the delegation should take regarding them.

Similar instructions are requested concerning the proposed inclusion in the convention of either article 23 of Advisory Committee draft convention omitting words "except in the cases referred to in paragraphs 1 and 6 of article 10" in lines 2 and 3 or following substitute proposed by Swiss delegation with a view to avoiding objection to article 23.

(2) "if there should arise between the high contracting parties a dispute of any kind relating to the interpretation or application of the present convention and if such dispute cannot be satisfactorily settled by diplomacy it shall be settled in accordance with any applicable agreements in force between the parties providing for the settlement of international disputes.

"In case there is no such agreement in force between the parties the dispute shall be referred to arbitration or judicial settlement in accordance with the constitutional procedure of each of the parties to the dispute. In the absence of agreement on the choice of another tribunal the dispute shall be referred to the Permanent Court of International Justice, if all the parties to the dispute are parties to

the convention of the 16th December, 1920, relating to the statute of the court;[1] and if any of the parties to the dispute is not a party to the protocol of the 16th December, 1920, the dispute shall be referred to an arbitral tribunal constituted in accordance with the Hague Convention of the 18th October, 1917 [*1907*],[2] for the pacific settlement of international conflicts".

CALDWELL

511.4A6/375 : Telegram

The Acting Secretary of State to the Chairman of the American Delegation (Caldwell)

WASHINGTON, July 3, 1931—3 p. m.

15. Your telegram 34, July 2, 10 a. m. Matter receiving consideration. Meanwhile Department desires Delegation's comment and recommendations.

CASTLE

511.4A6/372 : Telegram

The Chairman of the American Delegation (Caldwell) to the Acting Secretary of State

GENEVA, July 4, 1931—11 a. m.
[Received July 4—9 a. m.]

36. Department's 15, July 3, 3 p. m. Conference may include in an annex to new convention the parts of the Geneva Convention referred to in my 34, July 2, 10 a. m., with necessary alterations.

Delegation finds none of the ideas contained in these chapters of the convention inimical to our interests after minor alterations are made. The delegation however does not feel competent to make recommendation as to questions of policy involving signature to a convention leaving certain action to the Council of the League of Nations such as provided in articles 8, 9, 10, 19, and 20 and more especially the sanctions provided for in article 24. Conference yesterday adopted following article:

"The High Contracting Parties shall communicate to one another through the Secretary General of the League of Nations the laws and regulations promulgated in order to give effect to the present convention and shall forward to the Secretary General of the League of Nations an annual report on the working of the convention in their territories in accordance with a form drawn up by the Advisory Committee on Traffic in Opium and Other Dangerous Drugs of the

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[1] For texts of protocol of signature and statute, see *Foreign Relations*, 1920, vol. I, pp. 17, 18.

[2] *Ibid.*, 1907, pt. 2, p. 1181.

League of Nations and approved by the Council of the League of Nations".

Delegation sees no objection to accepting this but abstained from voting and reserved position pending receipt of instructions from Department.

CALDWELL

511.4A6/373 : Telegram

The Chairman of the American Delegation (Caldwell) to the Acting Secretary of State

GENEVA, July 4, 1931—2 p. m.
[Received July 4—9:43 a. m.]

37. My telegram No. 34, July 2, 10 a. m. Article 23 of draft convention withdrawn. Swiss amendment adopted this morning without objection with the phrase "in accordance with the constitutional procedure of each of the parties to the dispute" in the second paragraph deleted. Certain drafting changes summed up by the legal adviser of the Secretariat will be made. This delegation stated that it reserved its position on this subject until the second reading.

CALDWELL

511.4A6/381 : Telegram

The Acting Secretary of State to the Chairman of the American Delegation (Caldwell)

WASHINGTON, July 7, 1931—4 p. m.

18. Your despatch No. 3, June 17.[3] Proposed article 16 might impose on the United States an obligation inconsistent with its obligations under articles 1 and 2 of the Treaty of Commerce and Navigation concluded on October 1, 1929 between the United States and Turkey [4] (and substantially similar provisions in treaties concluded with other countries) to extend unconditional most favored nation treatment to articles the growth, produce or manufacture of those countries. Accordingly the proposed article could not be accepted by the United States without appropriate amendment or reservation.

Your telegram 39, July 6, 10 a. m.[3] Unless convention contains a provision explicitly authorizing the adoption by any signatory of measures of internal control and control of import and of export stricter than the convention provisions the delegation should make

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[3] Not printed.
[4] *Foreign Relations*, 1929, vol. III, p. 838.

a reservation on this point. Proposed statement by President of the Conference even though embodied in the minutes is considered insufficient.

Your telegrams 34 and 36, instructions will follow.

CASTLE

511.4A6/384 : Telegram

The Chairman of the American Delegation (Caldwell) to the Acting Secretary of State

GENEVA, July 9, 1931—10 a. m.
[Received 2:10 p. m.[6]]

42. Following summarizes essential provisions of draft which comes up for second reading before plenary session today (numbers refer to articles) : 1. Definitions. Department is advised list of technical definitions too long and complicated to be telegraphed but includes all the substances which this delegation believes should be included.

2 to 5, estimates of annual domestic needs for consumption, conversion and reserve stocks based on medical and scientific requirements to be sent to Permanent Central Board. Estimates to be examined by a supervisory body on which the Opium Advisory Committee, the Permanent Central Board, the International Health Office and the League Health Committee each have the right to appoint one member. Supervisory body may require further details or explanations regarding the estimates except as regards requirements for Government purposes; will prepare estimates for countries not submitting them and will forward to the Secretary General of the League for transmission to all states copies of all estimates, explanations given or required and its own observations.

6. Limits manufacture in each country in any one year to total of estimated needs for

(*a*) Manufacture of preparations not requiring export permits.
(*b*) Domestic, medical and scientific needs.
(*c*) Conversion.
(*d*) Export.
(*e*) Maintaining reserve stocks.
(*f*) Maintaining Government stocks.

A 5 percent fluctuation is provided for but I doubt whether this provision will be retained.

9. Any excessive stocks in existence when convention becomes operative or at the beginning of any subsequent year to be deducted from quantity to be manufactured or imported or to be taken possession of by the Government and released in conformity with the convention.

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[6] Telegram in two sections.

10. Heroin exports prohibited except to Government agency which shall regulate distribution.

11. Manufacture of any opium or coca leaf derivatives not now in use for medical and scientific purposes not to take place until Government has ascertained that it is of medical or scientific value following which notice shall be sent to signatory powers and to Secretary General of the League who shall communicate to Health Committee of League. Health Committee to consult with International Health Office and decide whether or not product is capable of producing addiction or convertible into such substance.

13. May now apply to drugs enumerated in article 1 provisions of Geneva Convention (or provisions in conformity therewith) which are applicable to substances mentioned in article 4 of that convention except as modified by present convention.

Following provisions of Geneva Convention or provisions in conformity therewith shall apply to codeine, ethylmorphine and their salts:

(*a*) Articles 6 and 7 as regards manufacture, import, export and wholesale trade;
(*b*) Chapter V except as regards compounds;
(*c*) Paragraphs 1 (*b*) (*c*) and (*e*) and paragraph 2 of article 22 except as to preparations.

14. Exports to country not party to new convention or Geneva Convention to be reported by exporting country to Permanent Central Board unless over 25 kilograms in which case export authorization not to be issued until Permanent Central Board reports that export will not cause estimate of importing country to be exceeded. If Permanent Central Board finds that exports to any country exceed estimates all signatories to be notified and no more exports to be made during the year unless supplementary estimates are submitted or exceptional circumstances justify export in interests of humanity. The Board will prepare an annual statement showing each country's estimates, consumption, manufacture, conversion and exportation. If figures indicate any failure to comply with obligations of convention, Board may ask for explanation and procedure of paragraphs 2 to 7, article 24 of the Geneva Convention, shall apply.

15. Provides for strict supervision of amounts of raw material and manufactured drugs in possession of each manufacturer and limits accumulation of stocks of raw materials to those required for economic conduct of business, not to exceed 6 months' requirements except in exceptional cases, when Governments may permit up to 1 year's requirements.

16. Requires legislative measures to give effect to convention and creation of special narcotics administration.

17. Requires quarterly reports of materials received in factories and drugs produced. Manufacturers shall report quarterly, morphine, cocaine and ecgonine content of raw material on the basis of a method prescribed by each Government; quantities of raw materials or manufactured products disposed of and quantities remaining in stock.

18. Provides for the destruction within 3 months after released by judicial authorities of seized drugs in Government control at the time of signature and of those subsequently seized. Reports of drugs destroyed to be sent to Permanent Central Board.

We are objecting to time limit and to destruction of seized drugs already in Government control as [*at?*] the time of signature and doubt if this part of article will be approved.

19. Labels to show percentage and name of the drug as provided for in national legislation. (Final adoption of this is very doubtful).

20. Notification to be sent to Secretary General of League by each country in which there is manufacture or conversion.

21. Laws and regulations giving effect to present convention and annual reports re working of convention to be communicated to Secretary General.

22. Permanent Central Board to receive annual statements of drugs used by manufacturers and wholesalers for making preparations not requiring export authorizations.

23. Particulars of each case of illicit traffic to be reported to Secretary General of League as soon as possible.

25. This is the Swiss amendment quoted in delegation's 34, July 2, 10 a. m., with deletion referred to in delegation's 37, July 4, 2 p. m.

26. Provides that at the time of signature, ratification or accession, territories, colonies or protectorates may be exempted from application of convention; that such areas may be included subsequently; and that convention may be denounced on behalf of such territories after the 5-year period mentioned in article 31.

27. The convention is to be open to signature until January 1, 1932.

28. Ratifications to be transmitted to Secretary General of League.

29. Accessions may be sent to Secretary General of League after January 1, 1932.

30. Convention to come into force as regards articles 2 to 5 inclusive, 3 months after Secretary General has received ratifications or accessions of 25 nations including 5 of the following: Germany, Switzerland, France, Great Britain, Netherlands, Turkey, Japan, United States. Remaining provisions to come into force on the 1st of January of the fiscal year for which estimates are furnished.

32. After 5 years from the coming into force of articles 2 to 5 convention may be denounced by giving notice to Secretary General. If states are reduced to less than 25 convention ceases to be in force.

CALDWELL

511.4A6/387 : Telegram

The Acting Secretary of State to the Chairman of the American Delegation (Caldwell)

WASHINGTON, July 11, 1931—11 a. m.

21. Your telegrams 34, July 2, 10 a. m., 36, July 4, 11 a. m., and 42, July 9, 10 a. m.

(1) Department assumes that proposed article 27 or substantially similar provision will be embodied which will leave convention open for signature at a future date.

Accordingly decision of question of signature by this Government will be deferred until the Department has had time thoroughly to consider all the provisions of the final text.

(2) The following observations concerning summary of draft articles contained in your 42, July 9, 10 a. m. are submitted for Delegation's information and guidance.

Article 1. Assuming that the list of drugs does not include all derivatives of opium and coca leaves Department requests Delegation to make a further effort to obtain adoption of a provision permitting any signatory to exercise control over all such derivatives.

Article 6. Delegation should strongly oppose any allowance in excess of estimated needs for purposes listed in A to F.

Article 11. Proposed article appears to prohibit the manufacture of non-narcotic flavoring extracts and should be amended to permit the manufacture under adequate governmental supervision of such extracts as are not capable of contributing to drug addiction.

Article 14. Department assumes that discrepancy between French and English texts of article 24 of Geneva Convention is removed by substitution of new wording for paragraph 1 of that article and that paragraphs 2 to 7 inclusive are embodied in proposed convention. Delegation should refrain from voting on this article in view of possible complications arising from connection with League.

Article 18. Department approves your position in objecting to time limit and destruction of seized drugs in Government control at the time of signature.

Article 21. Article set forth in your telegram 36 July 4, 11 a. m. considered acceptable.

Article 25. Department approves Swiss amendment of this article as reported in your numbers 34 and 37, July 2, 10 a. m. and 4, 2 p. m. respectively.

Should it be proposed to embody in or annex to proposed convention articles 19 and 20 of Geneva Convention the Delegation should refrain from voting in view of League control of staff and other League complications.

Department observes that articles 7, 8, 12, 24 and 31 of proposed draft are not mentioned in your number 42 of July 9 and it assumes that reason for this omission is Delegation's opinion that they are either acceptable or unobjectionable to this Government.

While Department is not aware to what extent the provisions of chapters III, V and VI of Geneva Convention have been incorporated in or will be annexed to the proposed convention, there is given below comment submitted by Bureau of Narcotics on certain administrative features thereof.

(*a*) Article 12. As export permit by showing names of both exporter and importer offers protection against fraud it is considered preferable not to require name of exporter to appear in import permit. This would avoid placing purchasers far away from exporting country too much in the hands of the exporter. Also considered preferable not to allow importation in more than one consignment and preferable that import permit be limited by date of shipment rather than date of effectuation of import.

(*b*) Article 15. Considered preferable to make production of import certificate a condition precedent to granting permission for transshipment of goods in transit.

(*c*) Article 22 (2). Impracticable to supply statistics of imports sooner than 60 days after close of quarter.

(*d*) Article 22 (3). Considered impracticable to state separately amounts purchased for Government purposes.

CASTLE

511.4A6/388 : Telegram

The Chairman of the American Delegation (Caldwell) to the Acting Secretary of State

GENEVA, July 12, 1931—3 p. m.
[Received 4 : 10 p. m.[7]]

44. Department's 21, July 11, 8 [*11*] a. m.

1. As stated in my 42, July 9, 10 a. m., article 27 provides that convention shall be open for signature until January 1, 1932.

Convention is completing its work today in expectation of signing tomorrow.

Numerous important concessions to our views have been made and we have been able to have included in the convention most of the important provisions which we have proposed and which are a great advance over previous conventions.

These include:

(1) Limitation and control of all derivatives of opium and coca leaf including codeine.
(2) Application of the convention to synthetic products.

[7] Telegram in two sections.

(3) Limitation raw materials in factories.
(4) Accountability raw material processed in factories.
(5) Stricter limitation in article 6 including elimination provision excess manufacture under section 2.
(6) Complete control of newly discovered drugs.

In the opinion of the delegation, convention, if enforced will limit manufacture of drugs to medical needs of the world and reduce illicit traffic to a minimum.

Only yesterday German delegation, after receiving instructions agreed to the application to codeine of the import and export system thus removing last objection to a system upon which we had insisted and which had been strongly opposed by other manufacturing countries and was absolutely refused by the German delegation. The convention should be of greater value to the United States than to any other country. Consequently it is unfortunate that the delegation cannot sign, with the necessary reservations. The difficulty of forming an opinion concerning the convention under existing conditions is fully realized and it is regretted that matters proceeded so slowly during the first weeks of the conference and so rapidly at this state [*stage?*]. Changes are still being made and Conference will not have a reasonable opportunity of studying the final text before being asked to sign. Although a number of delegations anticipated the present state of affairs it was not possible to expedite matters earlier and it is impossible to delay proceedings now. Delevingne [8] expects to sign but to give careful study to the convention before ratification and will ratify with reservations if necessary.

2. As stated in my telegram 42, July 9, 10 a. m., article 1 includes all opium and coca leaf derivatives known to the delegation which should be included.

An amendment stating that the provisions of the convention should not be construed as preventing any signatory from taking stricter measures has been fully discussed and voted down and the matter cannot be raised again at this time. It was agreed that reservations to this effect would be made by any signatory who considered it necessary.

Article 6 was disposed of yesterday and an amendment of this delegation restricting manufacture for domestic consumption to actual needs, within the limits of estimates, was adopted.

Delegation has considered that article 11 does not affect flavoring substance obtained from coca leaves, as this is not obtained from the "Ecgonine—alkaloids of the coca leaf" which is the phrase included in the final form of the article already adopted.

Article 14 contains no reference to section 1 of article 24 of the Geneva Convention which is the section the French and English texts

[8] Sir Malcolm Delevingne, Permanent Deputy-Under-Secretary in the British Home Office.

of which differ, or to the discrepancy between texts. The only parts of article 24 referred to are paragraphs 2 to 7 the reference to which is in article 14 and states that if it appears that a signatory has not carried out his obligations under this convention the Permanent Central Board shall have the right to ask for explanations "and the procedure specified in paragraphs 2 to 7 of article 24 of the Geneva Convention shall apply".

The 25 kilograms mentioned in first part of article 14 was today reduced to 5 kilograms.

The number of countries listed in article 30 was today reduced from 5 to 4.

Several other changes which there is not time to list before the next session of the Conference were made today all of them strengthening the convention.

Summaries of articles 2 to 7 were not included because they did not seem to be of sufficient importance to telegraph but are given below. Numbers refer to articles.

7 relates to deduction from amounts manufactured of amounts imported.

8 requires conversion within stipulated period of amounts of drugs estimated for that purpose.

12 prohibits import or export of drugs except in accordance with this Convention, imports in any one year not to exceed total of amount specified in estimate and amount exported less amount manufactured.

24 stipulates that present convention shall supplement Geneva Convention in the relations between parties to both conventions.

31 specifies that ratifications or accessions received after date on which convention comes into force shall take effect on expiration of 90 days.

The only specific reference to articles 19 or 20 of the Geneva Convention is: Article 2 referring to the Permanent Central Board "constituted under chapter 6 of the Geneva Convention" (which chapter includes article 19).

Other references to Geneva Convention chapters 5 and 6 are, (1), as reported in my 42, July 9, 10 a. m., article 13, second paragraph B and C and, paragraph 2, reference above to article 14.

CALDWELL

511.4A6/393 : Telegram

The Acting Secretary of State to the Chairman of the American Delegation (Caldwell)

WASHINGTON, July 13, 1931—5 p. m.

22. Your 44, July 13 [*12*], 3 p. m. Delegates should remain Geneva pending further instructions. Telegraph full final text to Department

and to Berne for forwarding to Wilson, asking Wilson urgently to telegraph comments to you and to Department.

CASTLE

511.4A6/394 : Telegram

The Chairman of the American Delegation (Caldwell) to the Acting Secretary of State

GENEVA, July 14, 1931—10 a. m.
[Received July 14—7 : 17 a. m.]

45. Department's 22, July 13, 5 p. m. Will discuss convention with Wilson in Berne today. Text was finally approved yesterday and signed by the following 28 countries: Austria, Belgium, Bolivia, Canada, Chile, Costa Rica, Cuba, Czechoslovakia, Denmark, Ethiopia, France, Germany, Great Britain, Guatemala, Hejaz, India, Italy, Japan, Mexico, The Netherlands, Panama, Paraguay, Portugal, San Marino, Siam, Switzerland, Uruguay, Venezuela.

Several other countries including Egypt and the Argentine anticipate signing today.

Am telegraphing full text of the convention in clear with the exception of chemical formulae. Summary of the final act and protocol of signature being telegraphed.[9] Full text of these will only be telegraphed if Department instructs.

CALDWELL

511.4A6/395 : Telegram

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

BERNE, July 14, 1931—6 p. m.
[Received July 14—4 : 55 p. m.]

89. Your 22, July 13, 5 p. m., to Caldwell. Under reserve of my lack of technical knowledge on this subject I submit certain considerations in favor of immediate signature. From personal conversation with representative of the manufacturers of the United States I know that the document is highly satisfactory to them. I learn indirectly and from unofficial sources that it is regarded as a great advance over existing agreements by unofficial Americans, keenly interested in the subject, now in Geneva. In its essence the treaty embodies largely our views and, such modifications therefrom as exist, are relatively unimportant but were essential in the give and take of multilateral negotiations. Twenty-eight states including all great states of the

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[9] Telegrams not printed. For texts of convention and protocol of signature, see p. 675; for text of final act, see League of Nations document C.455(c).M.193(c).-1931.XI (Geneva, August 26, 1931). Texts are also printed in Department of State Conference Series No. 10, pp. 27 ff.

world with the exception of ourselves have already signed and undue delay on our part might have the effect of influencing certain smaller states that have not yet signed to withhold their signature, particularly certain Latin American states and China which have repeatedly indicated during the negotiations their desire to act in accordance with us in this matter.

I have gone through the treaty with Caldwell and after this conversation submit for your consideration certain thoughts.

1. Article 14, paragraph 3, section 2 should be read with care as well as the paragraphs in reference in the Geneva Convention. An analogous though not identical type of supervision is envisaged in the Permanent Disarmament Commission in the draft convention for the limitation of armaments. The pertinent paragraphs in the Geneva Convention would appear to confer on us certain rights of appeal to the Council of the League which the American Government could exercise or not as it saw fit but does not seem to put us under any obligation to consult the Council. Action by the Senate on the Narcotics Treaty would furnish a valuable guide for the negotiations on disarmament in 1932.

2. Final Act, paragraph 4. While our present system has certain of the attributes of a state monopoly, in view of the general American attitude towards monopolies, you may desire our delegates on signing to make some reference to this matter.

WILSON

511.4A6/403 : Telegram

The Acting Secretary of State to the Chairman of the American Delegation (Caldwell)

WASHINGTON, July 17, 1931—noon.

24. Your 44, July 12, 3 p. m.

1. The Delegation is authorized to sign the treaty and the protocol of signature [10] with the following reservations:

(1) The Government of the United States reserves the right to impose, for purposes of internal control and control of import into and export from territory under its jurisdiction of opium, coca leaves, all of their derivatives and similar substances produced by synthetic process, measures stricter than the provisions of the convention.

(2) The Government of the United States reserves the right to impose, for purposes of controlling transit through its territories of raw opium, coca leaves, all of their derivatives and similar substances produced by synthetic process, measures by which the production of an import permit issued by the country of destination may be made a condition precedent to the granting of permission for transit through its territory.

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[10] Signed by the American delegation on July 18, 1931.

(3) The Government of the United States finds it impracticable to undertake to send statistics of import and export to the Permanent Central Opium Board short of 60 days after the close of the 3 months period to which such statistics refer.

(4) The Government of the United States finds it impracticable to undertake to state separately amounts of drugs purchased or imported for Government purposes.

(5) The plenipotentiaries of the United States of America formally declare that the signing of the convention for limiting the manufacture and regulating the distribution of narcotic drugs, by them, on the part of the United States of America, on this date, is not to be construed to mean that the Government of the United States of America recognizes a régime or entity which signs or accedes to the convention as the government of a country when that régime or entity is not recognized by the Government of the United States of America as the government of that country.

(6) The plenipotentiaries of the United States of America further declare that the participation of the United States of America in the convention for limiting the manufacture and regulating the distribution of narcotic drugs, signed on this date, does not involve any contractual obligation on the part of the United States of America to a country represented by a régime or entity which the Government of the United States of America does not recognize as the government of that country, until such country has a government recognized by the Government of the United States of America.

2. The Delegation should refrain from signing the Final Act. While the United States is in sympathy with the general purpose of this document it is not considered that the United States, which is not a member of the League of Nations, can, in this instance, properly join in making recommendations to the League to initiate action in regard to details of narcotics limitation. There are also technical objections to a number of the clauses. To avoid creating the impression that this Government is not in sympathy with the general purpose of the Final Act, the Chairman of the Delegation, after signing the Convention, should send or deliver to the President of the Conference the following letter

"My dear Mr. President: It is with real pleasure that I am able to inform you that the American Delegation has today signed, with the authorization of its Government, both the Convention for Limiting the Manufacture and Regulating the Distribution of Narcotic Drugs, and the Protocol of Signature. Although we have not signed the Final Act, this failure to sign should not be construed as indicating any lack of sympathy with the general objectives of the recommendations themselves.

My colleagues on the American Delegation and I wish before leaving Geneva to renew to you expression of our appreciation of the effective skill and friendly tact with which you have presided over our deliberations."

CASTLE

511.4A6/424 : Telegram

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

WASHINGTON, July 26, 1931—midnight.

85. Your 94, July 21, 11 a. m.[11] While the Department entertains no doubt that this Government's refusal to recognize the régime in any country can not be affected by its mere signature of or adherence to a multilateral treaty to which the unrecognized régime is a party, the Department considers it desirable in order to avoid any possible misconstruction of its position to make the reservations incorporated in the narcotics convention. Similar reservations were made in the following conventions which were signed by the United States and the Soviet:

(1) The International Sanitary Convention, signed at Paris, June 21, 1926.[12]
(2) Convention for the Safety of Life at Sea, signed at London, May 31, 1929.[13]
(3) The International Load Line Convention, signed at London, July 5, 1930.[14]

The only treaty signed by both countries since the conclusion of the Sanitary Convention which does not contain the reservation in question is the Convention for the Suppression of Counterfeiting Currency, signed at Geneva on April 20, 1929,[15] and the omission of the reservation in that case apparently resulted from a failure to consider the question of reservations. Any possible technical implication of recognition which might be alleged to be involved in the adherence by an unrecognized régime to a treaty to which the United States is a party but which the unrecognized régime did not sign would appear to be too tenuous to warrant even an explanatory declaration or reservation. But when the United States and the unrecognized régime both sign a convention or when the United States signs a convention which is left open for subsequent signature as is the case in the Narcotics Convention under consideration, the Department considers it desirable to accompany its signature by a reservation of the kind incorporated in the Narcotics Convention.

With respect to your statement that the raising of this question may cause difficulties in the Senate, it may be observed that two of the treaties containing this reservation which have been submitted to the Senate have received the approval of that body and a third treaty is

[11] Not printed.
[12] *Foreign Relations*, 1926, vol. I, p. 177.
[13] Department of State Treaty Series No. 910.
[14] *Foreign Relations*, 1930, vol. I, p. 261.
[15] *Ibid.*, 1929, vol. I, p. 409.

now awaiting the action of the Senate. With reference to your statement that Russia might refuse to sign or ratify a treaty containing the reservation in question, the Department observes that since the reservation is merely declaratory of the well-known position of the United States, it could not reasonably be objected to by the Soviet régime unless that régime questioned the correctness of the statements contained in the reservation.

With respect to the possibility of embarrassment referred to in the conclusion of the second paragraph of your telegram, the Department informs you that the suggested situation could not arise since Section 6 of the Narcotic Drugs Import and Export Act[16] provides an absolute control over shipments of narcotic drugs from the United States and prohibits such shipments except when authorized by a permit from the Bureau of Narcotics and such a permit is issued only on the production of satisfactory evidence that the products to which the permit relates shall be used only for medical or scientific purposes.

The adoption of your suggestion that the reservations be expunged would seem likely to raise the question whether the United States by withdrawing the reservations had taken a position contrary to that declared by the reservation, and might give rise to undesirable public discussion.

For the reasons herein stated the Department considers it inadvisable to adopt your suggestion.

CASTLE

Treaty Series No. 863

International Convention for Limiting the Manufacture and Regulating the Distribution of Narcotic Drugs and Protocol of Signature, Signed at Geneva, July 13, 1931[17]

[List of heads of states which appears at the beginning of the convention is omitted.]

Desiring to supplement the provisions of the International Opium Conventions, signed at The Hague on January 23rd, 1912, and at Geneva on February 19th, 1925, by rendering effective by international agreement the limitation of the manufacture of narcotic drugs to the world's legitimate requirements for medical and scientific purposes and by regulating their distribution,

Have resolved to conclude a Convention for that purpose and have appointed as their Plenipotentiaries:

[Here follows list of names of plenipotentiaries.]

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[16] Approved May 26, 1922; 42 Stat. 596.

[17] In English and French; French text not printed. Ratification advised by the Senate, March 31 (legislative day of March 23), 1932; ratified by the President, April 8, 1932; ratification of the United States deposited at Geneva, April 28, 1932; proclaimed by the President, July 10, 1933.

Who, having communicated to one another their full powers, found in good and due form, have agreed as follows:

CHAPTER I.—*Definitions*

ARTICLE 1

Except where otherwise expressly indicated, the following definitions shall apply throughout this Convention:

1. The term "Geneva Convention" shall denote the International Opium Convention signed at Geneva on February 19th, 1925.

2. The term "the drugs" shall denote the following drugs whether partly manufactured or completely refined:

Group I.

Sub-Group (a):

(i) Morphine and its salts, including preparations made directly from raw or medicinal opium and containing more than 20 per cent of morphine;

(ii) Diacetylmorphine and the other esters of morphine and their salts;

(iii) Cocaine and its salts, including preparations made direct from the coca leaf and containing more than 0.1 per cent of cocaine, all the esters of ecgonine and their salts;

(iv) Dihydrohydrooxycodeinone (of which the substance registered under the name of eucodal is a salt); dihydrocodeinone (of which the substance registered under the name of dicodide is a salt), dihydromorphinone (of which the substance registered under the name of dilaudide is a salt), acetyldihydrocodeinone or acetyldemethylodihydrothebaine (of which the substance registered under the name of acedicone is a salt); dihydromorphine (of which the substance registered under the name of paramorfan is a salt), their esters and the salts of any of these substances and of their esters, morphine-N-oxide (registered trade name genomorphine), also the morphine-N-oxide derivatives, and the other pentavalent nitrogen morphine derivatives.

Sub-Group (b):

Ecgonine, thebaine and their salts, benzylmorphine and the other ethers of morphine and their salts, except methylmorphine (codeine), ethylmorphine and their salts.

Group II.

Methylmorphine (codeine), ethylmorphine and their salts.

The substances mentioned in this paragraph shall be considered as drugs even if produced by a synthetic process.

The terms "Group I" and "Group II" shall respectively denote Groups I and II of this paragraph.

3. "Raw opium" means the spontaneously coagulated juice obtained from the capsules of the *Papaver somniferum L.*, which has

only been submitted to the necessary manipulations for packing and transport, whatever its content of morphine.

"Medical opium" means raw opium which has undergone the processes necessary to adapt it for medicinal use in accordance with the requirements of the national pharmacopœia, whether in powder form or granulated or otherwise or mixed with neutral materials.

"Morphine" means the principal alkaloid of opium having the chemical formula $C_{17}H_{19}O_3N$.

"Diacetylmorphine" means diacetylmorphine (diamorphine, heroin) having the formula $C_{21}H_{23}O_5N$ ($C_{17}H_{17}(C_2H_3O)_2O_3N$).

"Coca leaf" means the leaf of the *Erythroxylon Coca* Lamarck and the *Erythroxylon novogranatense* (Morris) *Hieronymus* and their varieties, belonging to the family of Erythroxylaceæ and the leaf of other species of this genus from which it may be found possible to extract cocaine, either directly or by chemical transformation.

"Cocaine" means methyl-benzoyl laevo-ecgonine ([α] D 20° = − 16°4) in 20 per cent solution of chloroform of which the formula is $C_{17}H_{21}O_4N$.

"Ecgonine" means laevo-ecgonine ([α] D 20° = − 45°6 in 5 per cent solution of water), of which the formula is $C_9H_{15}O_3N.H_2O$, and all the derivatives of laevo-ecgonine which might serve industrially for its recovery.

The following drugs are defined by their chemical formulæ as set out below:

Dihydrohydrooxycodeinone	$C_{18}H_{21}O_4N$	
Dihydrocodeinone	$C_{18}H_{21}O_3N$	
Dihydromorphinone	$C_{17}H_{19}O_3N$	
Acetyldihydrocodeinone or Acetyldemethylodihydrothebaine	$C_{20}H_{23}O_4N$	($C_{18}H_{20}(C_2H_3O)O_3N$)
Dihydromorphine	$C_{17}H_{21}O_3N$	
Morphine-N-Oxide	$C_{17}H_{19}O_4N$	
Thebaine	$C_{19}H_{21}O_3N$	
Methylmorphine (codeine)	$C_{18}H_{21}O_3N$	($C_{17}H_{18}(CH_3O)O_2N$)
Ethylmorphine	$C_{19}H_{23}O_3N$	($C_{17}H_{18}(C_2H_5O)O_2N$)
Benzylmorphine	$C_{24}H_{25}O_3N$	($C_{17}H_{18}(C_7H_7O)O_2N$)

4. The term "manufacture" shall include any process of refining.

The term "conversion" shall denote the transformation of a drug by a chemical process, with the exception of the transformation of alkaloids into their salts.

When one of the drugs is converted into another of the drugs this operation shall be considered as conversion in relation to the first-mentioned drug and as manufacture in relation to the other.

The term "estimates" shall denote estimates furnished in accordance with Articles 2 to 5 of this Convention and, unless the context otherwise requires, shall include supplementary estimates.

The term "reserve stocks" in relation to any of the drugs shall denote the stocks required

(i) For the normal domestic consumption of the country or territory in which they are maintained,
(ii) For conversion in that country or territory, and
(iii) For export.

The term "Government stocks" in relation to any of the drugs shall denote stocks kept under Government control for the use of the Government and to meet exceptional circumstances.

Except where the context otherwise requires, the term "export" shall be deemed to include re-export.

CHAPTER II.—*Estimates*

ARTICLE 2

I. Each High Contracting Party shall furnish annually, for each of the drugs in respect of each of his territories to which this Convention applies, to the Permanent Central Board, constituted under Chapter VI of the Geneva Convention, estimates in accordance with the provisions of Article 5 of this Convention.

2. In the event of any High Contracting Party failing to furnish, by the date specified in paragraph 4 of Article 5, an estimate in respect of any of his territories to which this Convention applies, an estimate will, so far as possible, be furnished by the Supervisory Body specified in paragraph 6 of Article 5.

3. The Permanent Central Board shall request estimates for countries or territories to which this Convention does not apply to be made in accordance with the provisions of this Convention. If for any such country estimates are not furnished, the Supervisory Body shall itself, as far as possible, make the estimate.

ARTICLE 3

Any High Contracting Party may, if necessary, in any year furnish in respect of any of his territories supplementary estimates for that territory for that year with an explanation of the circumstances which necessitate such supplementary estimates.

ARTICLE 4

1. Every estimate furnished in accordance with the preceding Articles, so far as it relates to any of the drugs required for domestic consumption in the country or territory in respect of which it is made, shall be based solely on the medical and scientific requirements of that country or territory.

2. The High Contracting Parties may, in addition to reserve stocks, create and maintain Government stocks.

ARTICLE 5

1. Each estimate provided for in Articles 2 to 4 of this Convention shall be in the form from time to time prescribed by the Permanent Central Board and communicated by the Board to all the Members of the League of Nations and to the non-member States mentioned in Article 27.

2. Every estimate shall show for each country or territory for each year in respect of each of the drugs whether in the form of alkaloid or salts or of preparations of the alkaloids or salts:

(*a*) The quantity necessary for use as such for medical and scientific needs, including the quantity required for the manufacture of preparations for the export of which export authorisations are not required, whether such preparations are intended for domestic consumption or for export;

(*b*) The quantity necessary for the purpose of conversion, whether for domestic consumption or for export;

(*c*) The amount of the reserve stocks which it is desired to maintain:

(*d*) The quantity required for the establishment and maintenance of any Government stocks as provided for in Article 4.

The total of the estimates for each country or territory shall consist of the sum of the amounts specified under (*a*) and (*b*) of this paragraph with the addition of any amounts which may be necessary to bring the reserve stocks and the Government stocks up to the desired level, or after deduction of any amounts by which those stocks may exceed that level. These additions or deductions shall, however, not be taken into account except in so far as the High Contracting Parties concerned shall have forwarded in due course the necessary estimates to the Permanent Central Board.

3. Every estimate shall be accompanied by a statement explaining the method by which the several amounts shown in it have been calculated. If these amounts are calculated so as to include a margin allowing for possible fluctuations in demand, the estimates must indicate the extent of the margin so included. It is understood that in the case of any of the drugs which are or may be included in Group II, a wider margin may be necessary than in the case of the other drugs.

4. Every estimate shall reach the Permanent Central Board not later than August 1st in the year preceding that in respect of which the estimate is made.

5. Supplementary estimates shall be sent to the Permanent Central Board immediately on their completion.

6. The estimates will be examined by a Supervisory Body. The Advisory Committee on the Traffic in Opium and other Dangerous Drugs of the League of Nations, the Permanent Central Board, the Health Committee of the League of Nations and the Office international d'Hygiène publique shall each have the right to appoint one member of this Body. The Secretariat of the Supervisory Body shall be provided by the Secretary-General of the League of Nations, who will ensure close collaboration with the Permanent Central Board.

The Supervisory Body may require any further information or details, except as regards requirements for Government purposes, which it may consider necessary, in respect of any country or territory on behalf of which an estimate has been furnished in order to make the estimate complete or to explain any statement made therein, and may, with the consent of the Government concerned, amend any estimate in accordance with any information or details so obtained. It is understood that in the case of any of the drugs which are or may be included in Group II a summary statement shall be sufficient.

7. After examination by the Supervisory Body as provided in paragraph 6 above of the estimates furnished, and after the determination by that Body as provided in Article 2 of the estimates for each country or territory on behalf of which no estimates have been furnished, the Supervisory Body shall forward, not later than November 1st in each year, through the intermediary of the Secretary-General, to all the Members of the League of Nations and non-member States referred to in Article 27, a statement containing the estimates for each country or territory, and, so far as the Supervisory Body may consider necessary, an account of any explanations given or required in accordance with paragraph 6 above, and any observations which the Supervisory Body may desire to make in respect of any such estimate or explanation, or request for an explanation.

8. Every supplementary estimate sent to the Permanent Central Board in the course of the year shall be dealt with without delay by the Supervisory Body in accordance with the procedure specified in paragraphs 6 and 7 above.

CHAPTER III.—*Limitation of Manufacture*

ARTICLE 6

1. There shall not be manufactured in any country or territory in any one year a quantity of any of the drugs greater than the total of the following quantities:

(*a*) The quantity required within the limits of the estimates for that country or territory for that year for use as such for its medical

and scientific needs including the quantity required for the manufacture of preparations for the export of which export authorisations are not required, whether such preparations are intended for domestic consumption or for export;

(*b*) The quantity required within the limits of the estimates for that country or territory for that year for conversion, whether for domestic consumption or for export;

(*c*) Such quantity as may be required by that country or territory for the execution during the year of orders for export in accordance with the provisions of this Convention;

(*d*) The quantity, if any, required by that country or territory for the purpose of maintaining the reserve stocks at the level specified in the estimates for that year;

(*e*) The quantity, if any, required for the purpose of maintaining the Government stocks at the level specified in the estimates for that year.

2. It is understood that, if at the end of any year, any High Contracting Party finds that the amount manufactured exceeds the total of the amounts specified above, less any deductions made under Article 7, paragraph 1, such excess shall be deducted from the amount to be manufactured during the following year. In forwarding their annual statistics to the Permanent Central Board, the High Contracting Parties shall give the reasons for any such excess.

Article 7

There shall be deducted from the total quantity of each drug permitted under Article 6 to be manufactured in any country or territory during any one year:

(i) Any amounts of that drug imported including any returned deliveries of the drug, less quantities re-exported.

(ii) Any amounts of the drug seized and utilised as such for domestic consumption or for conversion.

If it should be impossible to make any of the above deductions during the course of the current year, any amounts remaining in excess at the end of the year shall be deducted from the estimates for the following year.

Article 8

The full amount of any of the drugs imported into or manufactured in any country or territory for the purpose of conversion in accordance with the estimates for that country or territory shall, if possible, be utilised for that purpose within the period for which the estimate applies.

In the event, however, of it being impossible to utilise the full amount for that purpose within the period in question, the portion

remaining unused at the end of the year shall be deducted from the estimates for that country or territory for the following year.

ARTICLE 9

If at the moment when all the provisions of the Convention shall have come into force, the then existing stocks of any of the drugs in any country or territory exceeds the amount of the reserve stocks of that drug, which, according to the estimates for that country or territory, it is desired to maintain, such excess shall be deducted from the quantity which, during the year, could ordinarily be imported or manufactured as the case may be under the provisions of this Convention.

Alternatively, the excess stocks existing at the moment when all the provisions of the Convention shall have come into force shall be taken possession of by the Government and released from time to time in such quantities only as may be in conformity with the present Convention. Any quantities so released during any year shall be deducted from the total amount to be manufactured or imported as the case may be during that year.

CHAPTER IV.—*Prohibitions and restrictions*

ARTICLE 10

1. The High Contracting Parties shall prohibit the export from their territories of diacetylmorphine, its salts, and preparations containing diacetylmorphine, or its salts.

2. Nevertheless, on the receipt of a request from the Government of any country in which diacetylmorphine is not manufactured, any High Contracting Party may authorise the export to that country of such quantities of diacetylmorphine, its salts, and preparations containing diacetylmorphine or its salts, as are necessary for the medical and scientific needs of that country, provided that the request is accompanied by an import certificate and is consigned to the Government Department indicated in the certificate.

3. Any quantities so imported shall be distributed by and on the responsibility of the Government of the importing country.

ARTICLE 11

1. No trade in or manufacture for trade of any product obtained from any of the phenanthrene alkaloids of opium or from the ecgonine alkaloids of the coca leaf, not in use on this day's date for medical or scientific purposes shall take place in any country or territory unless and until it has been ascertained to the satisfaction of the Govern-

ment concerned that the product in question is of medical or scientific value.

In this case (unless the Government determines that such product is not capable of producing addiction or of conversion into a product capable of producing addiction) the quantities permitted to be manufactured, pending the decision hereinafter referred to, shall not exceed the total of the domestic requirements of the country or territory for medical and scientific needs, and the quantity required for export orders and the provisions of this Convention shall apply.

2. Any High Contracting Party permitting trade in or manufacture for trade of any such product to be commenced shall immediately send a notification to that effect to the Secretary-General of the League of Nations, who shall advise the other High Contracting Parties and the Health Committee of the League.

3. The Health Committee will thereupon, after consulting the Permanent Committee of the Office international d'Hygiène publique, decide whether the product in question is capable of producing addiction (and is in consequence assimilable to the drugs mentioned in sub-group (*a*) of Group I), or whether it is convertible into such a drug (and is in consequence assimilable to the drugs mentioned in sub-group (*b*) of Group I or in Group II).

4. In the event of the Health Committee deciding that the product is not itself a drug capable of producing addiction, but is convertible into such a drug, the question whether the drug in question shall fall under sub-group (*b*) of Group I or under Group II shall be referred for decision to a body of three experts competent to deal with the scientific and technical aspects of the matter, of whom one member shall be selected by the Government concerned, one by the Opium Advisory Committee of the League, and the third by the two members so selected.

5. Any decisions arrived at in accordance with the two preceding paragraphs shall be notified to the Secretary-General of the League of Nations, who will communicate it to all the Members of the League and to the non-member States mentioned in Article 27.

6. If the decisions are to the effect that the product in question is capable of producing addiction or is convertible into a drug capable of producing addiction, the High Contracting Parties will, upon receipt of the communication from the Secretary-General, apply to the drug the appropriate régime laid down in the present Convention according as to whether it falls under Group I or under Group II.

7. Any such decisions may be revised, in accordance with the foregoing procedure, in the light of further experience, on an application addressed by any High Contracting Party to the Secretary-General.

ARTICLE 12

1. No import of any of the drugs into the territories of any High Contracting Party or export from those territories shall take place except in accordance with the provisions of this Convention.

2. The imports in any one year into any country or territory of any of the drugs shall not exceed the total of the estimates as defined in Article 5 and of the amount exported from that country or territory during the year, less the amount manufactured in that country or territory in that year.

CHAPTER V.—*Control*

ARTICLE 13

1. (*a*) The High Contracting Parties shall apply to all the drugs in Group I the provisions of the Geneva Convention which are thereby applied to substances specified in its fourth Article (or provisions in conformity therewith). The High Contracting Parties shall also apply these provisions to preparations made from morphine and cocaine and covered by Article 4 of the Geneva Convention and to all other preparations made from the other drugs in Group I except such preparations as may be exempted from the provisions of the Geneva Convention under its eighth Article.

(*b*) The High Contracting Parties shall treat solutions or dilutions of morphine or cocaine or their salts in an inert substance, liquid or solid, which contain 0.2 per cent or less of morphine or 0.1 per cent or less of cocaine in the same way as preparations containing more than these percentages.

2. The High Contracting Parties shall apply to the drugs which are or may be included in Group II the following provisions of the Geneva Convention (or provisions in conformity therewith):

(*a*) The provisions of Articles 6 and 7 in so far as they relate to the manufacture, import, export and wholesale trade in those drugs;

(*b*) The provisions of Chapter V, except as regards compounds containing any of these drugs which are adapted to a normal therapeutic use;

(*c*) The provisions of paragraphs 1 (*b*), (*c*) and (*e*) and paragraph 2 of Article 22, provided:

(i) That the statistics of import and export may be sent annually instead of quarterly, and

(ii) That paragraph 1 (*b*) and paragraph 2 of Article 22 shall not apply to preparations containing any of these drugs.

ARTICLE 14

1. Any Government which has issued an authorisation for the export of any of the drugs which are or may be included in Group I to

any country or territory to which neither this Convention nor the Geneva Convention applies shall immediately notify the Permanent Central Board of the issue of the authorisation; provided that, if the request for export amounts to 5 kilogrammes or more, the authorisation shall not be issued until the Government has ascertained from the Permanent Central Board that the export will not cause the estimates for the importing country or territory to be exceeded. If the Permanent Central Board sends a notification that such an excess would be caused, the Government will not authorise the export of any amount which would have that effect.

2. If it appears from the import and export returns made to the Permanent Central Board or from the notifications made to the Board in pursuance of the preceding paragraph that the quantity exported or authorised to be exported to any country or territory exceeds the total of the estimates for that country or territory as defined in Article 5, with the addition of the amounts shown to have been exported, the Board shall immediately notify the fact to all the High Contracting Parties, who will not, during the currency of the year in question, authorise any new exports to that country except:

(i) In the event of a supplementary estimate being furnished for that country in respect both of any quantity over-imported and of the additional quantity required; or

(ii) In exceptional cases where the export in the opinion of the Government of the exporting country is essential in the interests of humanity or for the treatment of the sick.

3. The Permanent Central Board shall each year prepare a statement showing, in respect of each country or territory for the preceding year:

(*a*) The estimates in respect of each drug;
(*b*) The amount of each drug consumed;
(*c*) The amount of each drug manufactured;
(*d*) The amount of each drug converted;
(*e*) The amount of each drug imported;
(*f*) The amount of each drug exported;
(*g*) The amount of each drug used for the compounding of preparations, exports of which do not require export authorisations.

If such statement indicates that any High Contracting Party has or may have failed to carry out his obligations under this Convention, the Board shall have the right to ask for explanations, through the Secretary-General of the League of Nations, from that High Contracting Party, and the procedure specified in paragraphs 2 to 7 of Article 24 of the Geneva Convention shall apply in any such case.

The Board shall, as soon as possible thereafter, publish the statement above mentioned together with an account, unless it thinks it

unnecessary, of any explanations given or required in accordance with the preceding paragraph and any observations which the Board may desire to make in respect of any such explanation or request for an explanation.

The Permanent Central Board shall take all necessary measures to ensure that the statistics and other information which it receives under this Convention shall not be made public in such a manner as to facilitate the operations of speculators or to injure the legitimate commerce of any High Contracting Party.

CHAPTER VI.—*Administrative Provisions*

ARTICLE 15

The High Contracting Parties shall take all necessary legislative or other measures in order to give effect within their territories to the provisions of this Convention.

The High Contracting Parties shall, if they have not already done so, create a special administration for the purpose of:

(*a*) Applying the provisions of the present Convention;
(*b*) Regulating, supervising and controlling the trade in the drugs;
(*c*) Organising the campaign against drug addiction, by taking all useful steps to prevent its development and to suppress the illicit traffic.

ARTICLE 16

1. Each High Contracting Party shall exercise a strict supervision over:

(*a*) The amounts of raw material and manufactured drugs in the possession of each manufacturer for the purpose of the manufacture or conversion of any of the drugs or otherwise;
(*b*) The quantities of the drugs or preparations containing the drugs produced;
(*c*) The disposal of the drugs and preparations so produced with especial reference to deliveries from the factories.

2. No High Contracting Party shall allow the accumulation in the possession of any manufacturer of quantities of raw materials in excess of those required for the economic conduct of business, having regard to the prevailing market conditions. The amounts of raw material in the possession of any manufacturer at any one time shall not exceed the amounts required by that manufacturer for manufacture during the ensuing six months, unless the Government, after due investigation, considers that exceptional conditions warrant the accumulation of additional amounts, but in no case shall the total quantities which may be accumulated exceed one year's supply.

ARTICLE 17

Each High Contracting Party shall require each manufacturer within his territories to submit quarterly reports stating:

(*a*) The amount of raw materials and of each of the drugs received into the factory by such manufacturer and the quantities of the drugs, or any other products whatever, produced from each of these substances. In reporting the amounts of raw materials so received, the manufacturer shall state the proportion of morphine, cocaine or ecgonine contained in or producible therefrom as determined by a method prescribed by the Government and under conditions considered satisfactory by the Government;

(*b*) The quantities of either the raw material or the products manufactured therefrom which were disposed of during the quarter;

(*c*) The quantities remaining in stock at the end of the quarter.

Each High Contracting Party shall require each wholesaler within his territories to make at the close of each year a report stating, in respect of each of the drugs, the amount of that drug contained in preparations, exported or imported during the year, for the export or import of which authorisations are not required.

ARTICLE 18

Each High Contracting Party undertakes that any of the drugs in Group I which are seized by him in the illicit traffic shall be destroyed or converted into non-narcotic substances or appropriated for medical or scientific use, either by the Government or under its control, when these are no longer required for judicial proceedings or other action on the part of the authorities of the State. In all cases diacetylmorphine shall either be destroyed or converted.

ARTICLE 19

The High Contracting Parties will require that the labels under which any of the drugs, or preparations containing those drugs, are offered for sale, shall show the percentage of the drugs. These labels shall also indicate the name of the drugs as provided for in the national legislation.

CHAPTER VII.—*General Provisions*

ARTICLE 20

1. Every High Contracting Party in any of whose territories any of the drugs is being manufactured or converted, at the time when this Convention comes into force, or in which he proposes either at that time or subsequently to authorise such manufacture or con-

version, shall notify the Secretary-General of the League of Nations indicating whether the manufacture or conversion is for domestic needs only or also for export, the date on which such manufacture or conversion will begin, and the drugs to be manufactured or converted as well as the names and addresses of persons or firms authorised.

2. In the event of the manufacture or conversion of any of the drugs ceasing in the territory of any High Contracting Party, he shall notify the Secretary-General to that effect, indicating the place and date at which such manufacture or conversion has ceased or will cease and specifying the drugs affected, as well as the names and addresses of persons or firms concerned.

3. The information furnished under this Article shall be communicated by the Secretary-General to the High Contracting Parties.

ARTICLE 21

The High Contracting Parties shall communicate to one another through the Secretary-General of the League of Nations the laws and regulations promulgated in order to give effect to the present Convention, and shall forward to the Secretary-General an annual report on the working of the Convention in their territories, in accordance with a form drawn up by the Advisory Committee on Traffic in Opium and Other Dangerous Drugs.

ARTICLE 22

The High Contracting Parties shall include in the annual statistics furnished by them to the Permanent Central Board the amounts of any of the drugs used by manufacturers and wholesalers for the compounding of preparations whether for domestic consumption or for export for the export of which export authorisations are not required.

The High Contracting Parties shall also include a summary of the returns made by the manufacturers in pursuance of Article 17.

ARTICLE 23

The High Contracting Parties will communicate to each other, through the Secretary-General of the League of Nations, as soon as possible, particulars of each case of illicit traffic discovered by them which may be of importance either because of the quantities involved or because of the light thrown on the sources from which drugs are obtained for the illicit traffic or the methods employed by illicit traffickers.

The particulars given shall indicate as far as possible:

(*a*) The kind and quantity of drugs involved;
(*b*) The origin of the drugs, their marks and labels;

(*c*) The points at which the drugs were diverted into the illicit traffic;

(*d*) The place from which the drugs were despatched, and the names of shipping or forwarding agents or consignors; the methods of consignment and the name and address of consignees, if known;

(*e*) The methods and routes used by smugglers and names of ships, if any, in which the drugs have been shipped;

(*f*) The action taken by the Government in regard to the persons involved, particularly those possessing authorisations or licences and the penalties imposed.

(*g*) Any other information which would assist in the suppression of illicit traffic.

ARTICLE 24

The present Convention shall supplement the Hague Convention of 1912 and the Geneva Convention of 1925 in the relations between the High Contracting Parties bound by at least one of these latter Conventions.

ARTICLE 25

If there should arise between the High Contracting Parties a dispute of any kind relating to the interpretation or application of the present Convention and if such dispute cannot be satisfactorily settled by diplomacy, it shall be settled in accordance with any applicable agreements in force between the Parties providing for the settlement of international disputes.

In case there is no such agreement in force between the Parties, the dispute shall be referred to arbitration or judicial settlement. In the absence of agreement on the choice of another tribunal, the dispute shall, at the request of any one of the Parties, be referred to the Permanent Court of International Justice, if all the Parties to the dispute are Parties to the Protocol of December 16th, 1920, relating to the Statute of that Court, and, if any of the Parties to the dispute is not a Party to the Protocol of December 16th, 1920, to an arbitral tribunal constituted in accordance with the Hague Convention of October 18th, 1907, for the Pacific Settlement of International Disputes.

ARTICLE 26

Any High Contracting Party may, at the time of signature, ratification, or accession, declare that, in accepting the present Convention, he does not assume any obligation in respect of all or any of his colonies, protectorates and overseas territories or territories under suzerainty or mandate, and the present Convention shall not apply to any territories named in such declaration.

Any High Contracting Party may give notice to the Secretary-General of the League of Nations at any time subsequently that he

desires that the Convention shall apply to all or any of his territories which have been made the subject of a declaration under the preceding paragraph, and the Convention shall apply to all territories named in such notice in the same manner as in the case of a country ratifying or acceding to the Convention.

Any High Contracting Party may, at any time after the expiration of the five-years period mentioned in Article 32, declare that he desires that the present Convention shall cease to apply to all or any of his colonies, protectorates and overseas territories or territories under suzerainty or mandate, and the Convention shall cease to apply to the territories named in such declaration as if it were a denunciation under the provisions of Article 32.

The Secretary-General shall communicate to all the Members of the League and to the non-member States mentioned in Article 27, all declarations and notices received in virtue of this Article.

ARTICLE 27

The present Convention, of which the French and English texts shall both be authoritative, shall bear this day's date, and shall, until December 31st, 1931, be open for signature on behalf of any Member of the League of Nations, or of any non-member State which was represented at the Conference which drew up this Convention, or to which the Council of the League of Nations shall have communicated a copy of the Convention for this purpose.

ARTICLE 28

The present Convention shall be ratified. The instruments of ratification shall be transmitted to the Secretary-General of the League of Nations, who shall notify their receipt to all Members of the League and to the non-member States referred to in the preceding Article.

ARTICLE 29

As from January 1st, 1932, the present Convention may be acceded to on behalf of any Member of the League of Nations or any non-member State mentioned in Article 27.

The instruments of accession shall be transmitted to the Secretary-General of the League of Nations, who shall notify their receipt to all the Members of the League and to the non-member States mentioned in that Article.

ARTICLE 30

The present Convention shall come into force ninety days after the Secretary-General of the League of Nations has received the rati-

fications or accessions of twenty-five Members of the League of Nations or non-member States, including any four of the following:

France, Germany, United Kingdom of Great Britain and Northern Ireland, Japan, Netherlands, Switzerland, Turkey, and the United States of America.

Provided always that the provisions of the Convention other than Articles 2 to 5 shall only be applicable from the first of January in the first year in respect of which estimates are furnished in conformity with Articles 2 to 5.

ARTICLE 31

Ratifications or accessions received after the date of the coming into force of this Convention shall take effect as from the expiration of the period of ninety days from the date of their receipt by the Secretary-General of the League of Nations.

ARTICLE 32

After the expiration of five years from the date of the coming into force of this Convention, the Convention may be denounced by an instrument in writing, deposited with the Secretary-General of the League of Nations. The denunciation, if received by the Secretary-General on or before the first day of July in any year, shall take effect on the first day of January in the succeeding year, and, if received after the first day of July, shall take effect as if it had been received on or before the first day of July in the succeeding year. Each denunciation shall operate only as regards the Member of the League or non-member State on whose behalf it has been deposited.

The Secretary-General shall notify all the Members of the League and the non-member States mentioned in Article 27 of any denunciations received.

If, as a result of simultaneous or successive denunciations, the number of Members of the League and non-member States bound by the present Convention is reduced to less than twenty-five, the Convention shall cease to be in force as from the date on which the last of such denunciations shall take effect in accordance with the provisions of this Article.

ARTICLE 33

A request for the revision of the present Convention may at any time be made by any Member of the League of Nations or non-member State bound by this Convention by means of a notice addressed to the Secretary-General of the League of Nations. Such notice shall be communicated by the Secretary-General to the other

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Members of the League of Nations or non-member States bound by this Convention, and, if endorsed by not less than one-third of them, the High Contracting Parties agree to meet for the purpose of revising the Convention.

ARTICLE 34

The present Convention shall be registered by the Secretary-General of the League of Nations on the day of its entry into force.

IN FAITH WHEREOF the above-mentioned Plenipotentiaries have signed the present Convention.

DONE at Geneva the thirteenth day of July, one thousand nine hundred and thirty-one, in a single copy, which shall remain deposited in the archives of the Secretariat of the League of Nations, and certified true copies of which shall be delivered to all the Members of the League and to the non-member States referred to in Article 27.

Germany

FREIHERR VON RHEINBABEN
DR. KAHLER

United States of America

JOHN K. CALDWELL
HARRY J. ANSLINGER
WALTER LEWIS TREADWAY.
SANBORN YOUNG.

(1) The Government of the United States of America reserves the right to impose, for purpose of internal control and control of import into and export from territory under its jurisdiction, of opium, coca leaves, all of their derivatives and similar substances produced by synthetic process, measures stricter than the provisions of the Convention.

(2) The Government of the United States of America reserves the right to impose, for purposes of controlling transit through its territories of raw opium, coca leaves, all of their derivatives and similar substances produced by synthetic process, measures by which the production of an import permit issued by the country of destination may be made a condition precedent to the granting of permission for transit through its territory.

(3) The Government of the United States of America finds it impracticable to undertake to send statistics of import and export to the Permanent Central Opium Board short of sixty days after the close of the three-months' period to which such statistics refer.

(4) The Government of the United States of America finds it impracticable to undertake to state separately amounts of drugs purchased or imported for Government purposes.

(5) Plenipotentiaries of the United States of America formally declare that the signing of the Convention for Limiting the Manufacture and Regulating the Distribution of Narcotic Drugs by them on the part of the United States of America on this date is not to be construed to mean that the Government of the United States of America recognises a regime or entity which signs or accedes to the Convention as the Government of a country when that regime or entity is not recognised by the Government of the United States of America as the Government of that country.

(6) The plenipotentiaries of the United States of America further declare that the participation of the United States of America in the Convention for limiting the manufacture of and regulating the distribution of narcotic drugs, signed on this date, does not involve any contractual obligation on the part of the United

States of America to a country represented by a regime or entity which the Government of the United States of America does not recognise as the Government of that country until such country has a Government recognised by the Government of the United States of America.

J. K. C.
H. J. A.
W. L. T.
S. Y.

Argentine Republic
Ad referendum.
FERNANDO PEREZ

Austria
E. PFLÜGL
Dr BRUNO SCHULTZ

Belgium
Dr F. DE MYTTENAERE

Bolivia
M. CUELLAR

Brazil
RAUL DO RIO BRANCO

Great Britain and Northern Ireland and all parts of the British Empire which are not separate Members of the League of Nations
MALCOLM DELEVINGNE

Canada
C. H. L. SHARMAN
W. A. RIDDELL

India
R. P. PARANJPYE

Chile
ENRIQUE J. GAJARDO V.

Costa Rica
VIRIATO FIGUEREDO LORA.

Cuba
G. DE BLANCK
Dr B. PRIMELLES

Denmark
GUSTAV RASMUSSEN

Free City of Danzig
F. SOKAL

Dominican Republic
CH. ACKERMANN

Egypt
T. W. RUSSELL

Spain
JULIO CASARES

Abyssinia
C^te^ LAGARDE DUC d'ENTOTTO

France

The French Government makes every reservation, with regard to the Colonies, Protectorates and Mandated Territories under its authority, as to the possibility of regularly producing the quarterly statistics referred to in Article 13 within the strict time-limit laid down.[18]

G. BOURGOIS

Greece
R. RAPHAËL

Guatemala
LUIS MARTÍNEZ MONT.

Hejaz, Nejd and Dependencies
HAFIZ WAHBA

Italy
CAVAZZONI STEFANO

Japan
S. SAWADA
S. OHDACHI

Liberia
D^r^ A. SOTTILE

Subject to ratification by the Senate of the Republic of Liberia.[18]

Lithuania
ZAUNIUS.

Luxemburg
CH. G. VERMAIRE

Mexico
S. MARTÍNEZ DE ALVA

Monaco
C. HENTSCH.

Panama
D^r^ ERNESTO HOFFMANN.

Paraguay
R. V. CABALLERO DE BEDOYA

[18] Translation by the Secretariat of the League of Nations.

The Netherlands
v. WETTUM

Persia
A. SEPAHBODY

Poland
CHODŹKO

Portugal
AUGUSTO DE VASCONCELLOS
A. M. FERRAZ DE ANDRADE

Roumania
C. ANTONIADE

San Marino
FERRI CHARLES EMILE

Siam
DAMRAS

As our Harmful Habit-forming Drugs Law goes beyond the provisions of the Geneva Convention and the present Convention on certain points, my Government reserves the right to apply our existing law.

Sweden
K. I. WESTMAN

Switzerland
PAUL DINICHERT
Dr H. CARRIÈRE

Czechoslovakia
ZD. FIERLINGER

Uruguay
ALFREDO DE CASTRO

Venezuela
Ad referendum
L. G. CHACÍN ITRIAGO

Certified true copy.
For the Secretary-General:
J. A BUERO
Legal Adviser of the Secretariat

PROTOCOL OF SIGNATURE

I. When signing the Convention for limiting the manufacture and regulating the distribution of narcotic drugs dated this day, the undersigned Plenipotentiaries, duly authorised to that effect and in the name of their respective Governments, declare to have agreed as follows:

If, on July 13th, 1933, the said Convention is not in force in accordance with the provisions of Article 30, the Secretary-General of the League of Nations shall bring the situation to the attention of the Council of the League of Nations, which may either convene a new Conference of all the Members of the League and non-member States on whose behalf the Convention has been signed or ratifications or accessions deposited, to consider the situation, or take such measures as it considers necessary. The Government of every signatory or acceding Member of the League of Nations or non-member State undertakes to be present at any Conference so convened.

II. The Japanese Government made the following reservation, which is accepted by the other High Contracting Parties:

Crude morphine resulting from the manufacture of prepared opium in the factory of the Government-General of Formosa and held in stock by that Government shall not be subjected to the limitation measures provided for in this Convention.

Such stocks of crude morphine will only be released from time to time in such quantities as may be required for the manufacture of refined morphine in factories licensed by the Japanese Government in accordance with the provisions of the present Convention.

IN FAITH WHEREOF the undersigned have affixed their signatures to this Protocol.

DONE at Geneva, the thirteenth day of July, one thousand nine hundred and thirty-one, in a single copy, which will remain deposited in the archives of the Secretariat of the League of Nations; certified true copies will be transmitted to all Members of the League of Nations and to all non-member States represented at the Conference.

Germany
FREIHERR VON RHEINBABEN
DR. KAHLER

United States of America
JOHN K. CALDWELL.
HARRY J. ANSLINGER
WALTER LEWIS TREADWAY.
SANBORN YOUNG.

Argentine Republic
Ad referendum.
FERNANDO PEREZ.

Austria
Dr E. PFLÜGL
Dr BRUNO SCHULTZ

Belgium
Dr F. DE MYTTENAERE

Bolivia
M. CUELLAR

Brazil
RAUL DO RIO BRANCO

Great Britain and Northern Ireland and all parts of the British Empire which are not separate Members of the League of Nations
MALCOLM DELEVINGNE

Canada
C. H. L. SHARMAN.
W. A. RIDDELL

India
R. P. PARANJPYE

Chile
ENRIQUE J. GAJARDO V.

Costa Rica
VIRIATO FIGUEREDO LORA.

Cuba
G. DE BLANCK
DR. B. PRIMELLES.

Denmark
GUSTAV RASMUSSEN.

Free City of Danzig
F. SOKAL

Dominican Republic
CH. ACKERMANN

Egypt
T. W. RUSSELL

Spain
JULIO CASARES

Abyssinia
C^te^ LAGARDE DUC D'ENTOTTO

France
G. BOURGOIS

Greece
R. RAPHAËL

Guatemala
LUIS MARTÍNEZ MONT.

Hejaz, Nejd and Dependencies
HAFIZ WAHBA

Italy
CAVAZZONI STEFANO

Japan
S. SAWADA
S. OHDACHI

Lithuania
J. SAKALAUSKAS

Luxemburg
CH. G. VERMAIRE

Mexico
S. MARTÍNEZ DE ALVA

Monaco
C. HENTSCH.

Panama
DR. ERNESTO HOFFMANN.

Paraguay
R. V. CABALLERO DE BEDOYA

The Netherlands
My signature is subject to the reserve made by me on § 2 of Article 22 in the morning meeting of July 12th, 1931.
V. WETTUM

Persia
A. SEPAHBODY

Poland
CHODŹKO

Portugal
AUGUSTO DE VASCONCELLOS
A. M. FERRAZ DE ANDRADE

Roumania
C. ANTONIADE.

San Marino
FERRI CHARLES EMILE

Siam
DAMRAS

Sweden
K. J. WESTMAN

Switzerland
PAUL DINICHERT
Dr H. CARRIÈRE

Uruguay
ALFREDO DE CASTRO

Venezuela
Ad referendum
L. G. CHACÍN ITRIAGO

Certified true copy.
For the Secretary-General:
J. A BUERO
Legal adviser of the Secretariat

CONFERENCE ON THE SUPPRESSION OF OPIUM SMOKING, HELD AT BANGKOK, SIAM, NOVEMBER 9-27, 1931 [20]

511.4R1/6 : Telegram

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

BERNE, June 19, 1931—5 p. m.
[Received June 19—1:05 p. m.]

84. I am in receipt of invitation from Secretary General of League of Nations, dated June 18, to the American Government to participate in a conference in Bangkok, Siam, to open November 9, 1931, to discuss position in regard to chapter II of the Hague Convention [21] and application of the Geneva Agreement [22] on the basis of the report to [*of*] the Commission of Inquiry into the Control of Opium Smoking in the Far East.[23] The United States and China are included in this invitation in accordance with a resolution of the Council adopted May 23 last.[24] Mailing invitation today by pouch.[25]

WILSON

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[20] For minutes of the meetings and documents submitted to the Conference, see League of Nations, *Conference on the Suppression of Opium-Smoking, Convened Under Article XII of the Geneva Opium Agreement, 1925, Bangkok, November 9th to 27th, 1931* (C.577.M.284.1932.XI., Geneva, August 1932).

[21] Signed January 23, 1912, *Foreign Relations*, 1912, p. 196.

[22] Signed February 11, 1925, by the British Empire (with India), China, France, Japan, the Netherlands, Portugal, and Siam; League of Nations Treaty Series, vol. LI, p. 337.

[23] League of Nations document C.635.M.254.1930.XI. (Geneva, November, 1930).

[24] See League of Nations, *Sixty-third Session of the Council:* Minutes of the Sixth Meeting (Council/63rd Session/P. V. 6 (1)), p. 3.

[25] Not printed.

511.4R1/12 : Telegram

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

GENEVA, September 8, 1931—3 p. m.
[Received September 8—2:10 p. m.]

118. Legation's despatch No. 2094, June 19, 1931.[26] Ekstrand [27] has just called to explain how anxiously he and the others interested in this conference are hoping for a favorable response from the United States.

Delevingne,[28] Van Wettum,[29] Kusama,[30] Marshall from India [31] and probably Bourgois [32] will attend.

The conference begins on November 9th and its anticipated duration is 3 weeks. As very little time remains before those participating must start their voyage Ekstrand begs to learn the decision of our Government at the earliest convenient date.

WILSON

511.4R1/14

The Secretary of State to Mr. John K. Caldwell [33]

WASHINGTON, September 14, 1931.

SIR: You are instructed to attend, in the capacity of observer, the Conference which is to convene in Bangkok, Siam on November 9, 1931 to discuss, on the basis of the Report of the Commission of Enquiry into the Control of Opium Smoking in the Far East, the position in regard to the application of Chapter II of the Hague Convention and the application of the Geneva Agreement. There is attached a copy of the note of the Secretary General of the League of Nations, dated June 18, 1931 (with its enclosures),[26] inviting the Government of the United States to participate in this Conference.

In addition to the report which you will make, upon the conclusion of the Conference,[34] you should inform the Department by telegraph of any important developments which may occur during the Conference.

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[26] Not printed.
[27] Eric Einar Ekstrand, chairman of the Inquiry Commission in 1930 and director of the Opium Traffic and Social Questions sections of the League of Nations Secretariat.
[28] Sir Malcolm Delevingne, Permanent Deputy-Under-Secretary of State in the British Home Department.
[29] W. G. van Wettum, Adviser to the Netherlands Government for International Opium Affairs.
[30] Of the Japanese Foreign Office.
[31] J. B. Marshall, Excise Commissioner of Burma.
[32] G. Bourgois, French Consul at Bangkok.
[33] Consul General on duty in the Department.
[34] Dated January 27, 1932, at Washington (511.4R1/81) ; not printed.

By prohibiting opium smoking, in discharge of what it considered to be its obligations under the Hague Convention, the United States Government has gone further than the measures provided for in the Geneva Agreement, to which this Government is not a party. This Government is not prepared to recede from the position which it has taken in regard to this matter [35] and, since it does not appear from the agenda that the Conference in Bangkok will consider steps as drastic as this Government has already taken, it is unlikely that the United States Government could sign any agreement resulting from that Conference.

Nevertheless, on account of the interest which this Government has and its realization of the necessity for joint international action in regard to the subject to be considered by the Conference, it desires to follow closely its discussions and to cooperate with other Governments to the fullest possible extent. You should take advantage of any opportunity that may be afforded during the Conference, either by formal or informal discussions, to promote closer governmental cooperation in the suppression of both opium smoking and the illicit traffic in manufactured narcotic drugs, with particular reference to the Philippine Islands.

You will leave Washington in time to reach Bangkok before the opening of the Conference, and will return to the Department upon the conclusion of the Conference.

Your actual and necessary expenses of transportation will be payable in accordance with the provisions of the Standardized Government Travel Regulations. You will be allowed a per diem of $20.00 in lieu of subsistence expenses from the date of your departure from Washington until your return to Washington, except while on steamer, when you will be allowed a per diem of $5.00.

You may expend not to exceed $200.00 for official entertainment in connection with the Conference.

You will draw drafts on the Secretary of State for such funds as are required to cover your per diem, travel and any entertainment expenses incurred, not to exceed in total the sum of $2,500.00, citing authorization No. 9–1932. All disbursements should be covered by vouchers, so far as practicable, and upon your return to the Department you will render an account in the usual manner for all disbursements and for any unexpended balance of drafts which you may have drawn. You should indicate clearly upon your drafts the purpose for which they are drawn.

Very truly yours, HENRY L. STIMSON

[35] See *Foreign Relations*, 1924, vol. I, p. 125, and *ibid.*, 1926, vol. I, p. 250.

511.4R1/55 : Telegram

The Secretary of State to the Minister in Siam (Kaufman)

WASHINGTON, October 17, 1931—noon.

27. Please inform Foreign Office that Colonel Lucien R. Sweet of the Philippine Constabulary is being sent to Bangkok to assist Caldwell at Conference on Opium Smoking.

STIMSON

511.4R1/61 : Telegram

The American Observer at the Conference on the Suppression of Opium Smoking at Bangkok (Caldwell) to the Secretary of State

BANGKOK, November 9, 1931—3 p. m.
[Received November 9—6 : 43 a. m.]

Conference was opened by Siamese Minister for Foreign Affairs and after organization adjourned until tomorrow morning when statements of delegates are invited.

Siamese Under Secretary of State Foreign Affairs elected President, and Van Wettum, Vice President.

China not represented, ostensibly for financial reasons.

CALDWELL

511.4R1/73

Press Release Issued by the Department of State on November 11, 1931

Consul General John K. Caldwell, who is attending the Conference on Opium Smoking in the Far East now in session at Bangkok, on November 11, made the following statement outlining the position of the United States Government on the principal questions which are to be considered by the Conference:—

"This conference has been called, under the Opium Agreement signed at Geneva February 11, 1925, to discuss the situation in regard to the application of Chapter 2 of the Hague Convention of 1912 and the application of the Geneva Agreement. The basis for its discussions is to be the report of the Commission of Enquiry into the Control of Opium Smoking in the Far East.

"The position of my Government in this assembly rests on the fact that the Conference, although it is convened under a treaty to which the United States is not a party, is in fact a conference of certain

nations who, together with the United States, are party to the Hague Convention of 1912.

"The American Government has accepted the invitation to be represented here today in view of the fact that the subject of the discussion is to be the manner in which nations which undertook joint obligations with the United States in the Hague Convention now propose to meet the obligations thus undertaken.

"My Government assumes, from the terms of the invitation which it received, that its views on the recommendations of the Commission of Enquiry into the Control of Opium Smoking in the Far East are desired. For that reason, although in attendance at the Conference as an observer only, I take this opportunity of briefly stating those views.

"The Commission of Enquiry reports as its major conclusion that the gradual and effective suppression of opium smoking requires concerted action on similar and concurrent lines by all governments concerned.

"For many years past the system of monopoly in one form or another has been in effect in most jurisdictions in the Far East. Under the terms of the Geneva Agreement, entered into between the powers having possessions in the Far East, the government monopoly system was formally adopted by those powers as a temporary expedient to meet the obligation of the Hague Convention of 1912 to 'take measures for the gradual and effective suppression of the manufacture of, internal trade in, and use of prepared opium, with due regard to the varying circumstances of each country concerned'.

"With regard to the Commission's major conclusion and the Commission's recommendation No. 1, my Government concurs in the view that the suppression of opium smoking calls for concerted action on the part of all of the governments in the Far East. It also believes that similar and concurrent action on the part of the governments concerned is desirable, but it further believes that the time has come when such action should lead more immediately toward absolute proscription. While prepared to lend all practicable aid to measures directed toward suppression of this destructive vice, the Government of the United States is not prepared to follow a line similar and concurrent with that followed by other governments so long as those other governments elect to retain the monopoly system and are not willing to attempt prohibition.

"There can be no question of my Government's adopting a monopoly system or joining in measures to strengthen or continue the system of legalizing the traffic in smoking opium.

"The policy adopted by the Government of the United States under the obligations imposed by the Hague Convention of 1912 has been

that of complete statutory prohibition of the importation, manufacture, sale, possession and use of prepared opium coupled with thorough enforcement of the law.

"As early as 1904, it was proposed that there be established in the Philippine Islands a three year opium monopoly to be followed by prohibition, but this proposal, in so far as it related to government monopoly, was rejected and the principle of absolute interdiction of the traffic was adopted.

"It will, I think, be admitted that the habit of opium smoking is injurious and that this holds true no matter where the addict resides. For that reason, my Government has felt that there is no moral justification for a double standard in this matter and that it would be entirely inconsistent to permit the use of smoking opium, by a rationing system or otherwise, in the Philippine Islands while recognizing the fundamental evil of the habit by absolutely proscribing the drug in the home country.

"The result of enforcement of complete prohibition of the use of opium for purposes other than medicinal is considered to have proved satisfactory in the Philippine Islands.

"The difficulties to be faced in enforcing this prohibition are fully recognized. In our own case, the long coast line of the Philippine Islands and their comparative proximity to territories where contraband opium may be obtained are factors which unquestionably complicate the task of detecting and preventing smuggling. The drastic nature of the prohibitory measures in effect, however, has made it possible to deal effectively with actual opium smoking when found within the islands.

"Furthermore, my Government feels that if proscription of all phases of the traffic were conscientiously enforced in all other Far Eastern territories, the natural factors that now aid the smuggler would be of minor importance among the practical problems which confront the enforcement officers of jurisdictions in the Far East.

"With regard to the Commission's recommendation No. 2, the American Government concurs in the view that scientific research is desirable and that it should be undertaken cooperatively; but it feels that the harmful effects of opium smoking have been so well established that the effort should be devoted in the first place to the study of cures for addiction. In such measures the United States is prepared to cooperate and to exchange information.

"With regard to recommendation No. 3, the American Government concurs in the view that limitation and control of poppy cultivation are eminently desirable.

"With regard to recommendation No. 4, the American Government concurs in the view that the demand for opium for purposes other than medical and scientific should be regarded as illegitimate and that, in combating such illegitimate demand, organized public opinion and education are weapons that can well be employed.

"With regard to recommendation No. 5, suggesting measures to prevent illicit traffic, it is recognized that no matter whether the prohibitory or the monopoly system be adopted, smuggling is bound to be met with and will have to be combatted. It is the feeling of my Government, however, that the suppression of opium smoking is more nearly to be accomplished by combatting the evasion of an absolute proscription than by any other method.

"In conclusion, I may say that the Government of the United States most strongly urges frank recognition of the fact that there is but one real method by which to suppress the evil of opium smoking in the Far East or anywhere else and that this method is complete statutory prohibition of the importation, manufacture, sale, possession or use of prepared opium, coupled with active enforcement of such prohibition. Cooperation among the interested governments in the suppression of smuggling is a necessary corollary. In measures of this kind the United States is prepared whole heartedly and cordially to cooperate."

511.4R1/70 : Telegram

The American Observer at Bangkok (Caldwell) to the Secretary of State

BANGKOK, November 12, 1931—6 p. m.
[Received November 12—9 : 55 a. m.]

My November 12, 10 a. m.[37] Statement was made on invitation of President who stated that all delegates having made statements, Conference would welcome statement of American observer regarding experience in enforcing prohibition. I made a brief introduction referring especially to evidence contained in statement of each delegate that there is very great illicit traffic under all systems. President expressed thanks for clear and frank statement. So far no hostile criticism, some expressions of approval of this definite statement of our position.

Illicit traffic is being discussed in private session and statement made there cannot be given to press.

CALDWELL

[37] It read, "Statement made." The statement is printed *supra*.

511.4R1/76 : Telegram

The American Observer at Bangkok (Caldwell) to the Secretary of State

BANGKOK, November 26, 1931—4 p. m.
[Received November 26—7 : 52 a. m.]

Signature of agreement supplementary to Geneva agreement and of Final Act and formal closing Conference will take place tomorrow.[38] Agreement and resolutions attached to Final Act are of little importance. Final Act states that Conference has concluded that no radical measures for the suppression of opium smoking practicable as long as production of opium and illicit traffic continues on enormous scale.

But little accomplished in regard to cooperation. There was little reference to Philippine Islands. Discussion concerned mainly Commission recommendations and we as observers had small chance of participating, particularly since in addition to involving Geneva Agreement even those proposals which gave merit were of such small importance that our advocacy of them would have weakened our position in regard to much more radical measures.

Expect to sail *Coolidge* 8th or *Madison* 13th from Hong Kong.

CALDWELL

REFUSAL OF THE UNITED STATES TO ADHERE TO THE CONVENTION OF SEPTEMBER 30, 1921, ON TRAFFIC IN WOMEN AND CHILDREN

511.52D1/278

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

No. 2111
L. N. No. 2054

BERNE, July 1, 1931.
[Received July 17.]

SIR: I have the honor to transmit herewith a copy of a letter dated June 29, 1931, together with its enclosures, from Sir Eric Drummond, Secretary General of the League of Nations, with reference to a resolution made by the League Council by which the Secretary General was instructed to inquire of all States not members of the League which have not acceded to the 1921 Convention on Traffic in Women and Children,[39] whether they will be prepared now to accede.

Sir Eric pointed out to me informally that in the reply of the State Department in 1922 to an invitation to adhere, the great interest of our Government in this work had been emphasized, but at the same time

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[38] Texts of agreement and Final Act are printed in League of Nations, *Conference on the Suppression of Opium-Smoking*, etc.: *Agreement and Final Act* (C.70.M.36.1932.XI, Geneva, January 27, 1932). Text of agreement is also printed in League of Nations Treaty Series, vol. CLXXVII, p. 373. The agreement became effective April 22, 1937.

[39] League of Nations Treaty Series, vol. IX, p. 415.

constitutional difficulties had prevented our undertaking the obligations of the treaty.[40] He wanted me to be aware of his appreciation of the attitude of the American Government; that he was in no way endeavoring to agitate a matter to which we might have constitutional objections, but that, under the Council's resolution, it was his duty again to bring the matter to our attention. I replied that in transmitting a copy of his note to the Secretary of State, I would at the same time mention the informal conversation between us.

Respectfully yours, HUGH R. WILSON

[Enclosure]

The Secretary-General of the League of Nations (Drummond) to the American Minister in Switzerland (Wilson)

GENEVA, June 29, 1931.

DEAR MR. WILSON: You may perhaps have noticed that the Council, at its last session, passed a general resolution requesting me to enquire of all Governments not Members of the League which have not acceded to the 1921 Convention on Traffic in Women and Children, whether they would be prepared to do so.

As regards the United States, I feel a certain hesitation in transmitting this resolution in view of the State Department's reply to a previous enquiry on March 8th, 1922, expressing the Government's deep interest in this subject but explaining the difficulties which then prevented it from adhering to this Convention as well as to the previous Convention of May 10th, 1904.

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[40] The substance of the note of March 8, 1922, to the Secretary-General of the League of Nations is as follows:

"Article I of the Convention provides as follows:

> 'The High Contracting Parties agree that, in the event of their not being already Parties to the Agreement of May 18th, 1904, and the Convention of May 4th, 1910, mentioned above, they will transmit, with the least possible delay, their ratifications of, or adhesions to, those instruments in the manner laid down therein.'

As the Secretary General is doubtless aware, the Government of the United States is already a party to the Agreement of May 18, 1904. With respect, however, to the Convention of May 4, 1910, that Convention contains, as the Secretary General was informed through the American Consul at Geneva last June, projects which, it is thought, pertain under the Constitution of the United States to the police functions of the several States of the Union and which the Federal Government would not in consequence be capable of fulfilling.

For this reason, the Government of the United States feels compelled to withhold its adherence to the Convention of 1910, and its signature to the confirmatory Convention now open at Geneva.

The Secretary of State would not wish it to be understood, however, that the Government of the United States is not in full sympathy with the laudable purposes of the Convention. On the contrary, the suppression of the nefarious traffic in women and children is a matter in which that Government is greatly interested, and to which end Federal Statutes have been enacted which are within the purview of Congressional action."

The convention of May 18, 1904, is printed in *Foreign Relations*, 1905, p. 462, and in Malloy, *Treaties*, 1776–1909, vol. II, p. 2131. The convention of May 4, 1910, is printed in *British and Foreign State Papers*, vol. CIII, p. 244.

Since then, however, considerable time has passed and the situation changed by the fact that the Convention has so widely entered into international practice. Indeed, as you will note from the attached list of ratifications of Agreements and Conventions,[41] thirty-six States have now finally ratified and seven others signed, subject to ratification. In view of this and of the Council's express instructions to me, I am sure that the State Department will understand my transmitting the resolution with the thought that, in one way or another, it might possibly care to become associated with the Convention in so far as is possible.

I am [etc.] ERIC DRUMMOND

[Subenclosure]

The Secretary-General of the League of Nations (Drummond) to the Secretary of State

No. C.L.148.1931.IV GENEVA, June 29, 1931.

SIR: I have the honour to inform you that the Traffic in Women and Children Committee examined in the course of its tenth session held in April, 1931, the extent of ratifications of the 1921 Convention relating to the Suppression of the Traffic in Women and Children.

The Committee having arrived at the conclusion that in order effectively to suppress this traffic it was necessary that the Convention should be ratified by as large a number of countries as possible asked the Council of the League of Nations to enquire of all the Governments not Members of the League which have not acceded to the Convention whether they would be prepared to do so.

The Council having approved of this request at its meeting of the 20th May, I have the honour to submit it to the consideration of your Government. I send you under separate cover the relevant documents[42] C. 227.M.166.1921 (General Report on the work of the International Conference on Traffic in Women and Children), C.267.M.122.-1931 (Report on the work of the Traffic in Women and Children Committee 10th Session) and C.336.1931.IV (Report to the Council by the *Rapporteur*, the Representative of Persia), as well as a certified true copy of the International Convention in question, (A.125.(3).1921.IV.).

May I draw your attention to the fact that States acceding to the Convention undertake at the same time to accede to the 1904 Agreement and 1910 Convention, the texts of which will be found respectively on page 19 and following and page 27 and following of document C.277.M.166.1921.IV.

I have [etc.] ERIC DRUMMOND

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[41] Not printed.
[42] Not reprinted.

511.52D1/278

The Acting Secretary of State to the Secretary-General of the League of Nations (Drummond)[43]

The Acting Secretary of State of the United States of America has received, with appreciation, the note of the Secretary General of the League of Nations, dated June 29, 1931, in which he inquires pursuant to a resolution of the Council if the Government of the United States, as a non-member of the League, is prepared to accede to the 1921 Convention relative to the suppression of the Traffic in Women and Children.

The Secretary General was informed in a note dated March 8, 1922, the reasons why the Government of the United States of America was unable at that time to adhere to the Convention of 1910 and to sign the confirmatory Convention of Sepember 30, 1921.

Inasmuch as the situation described in the note of March 8, 1922, has not changed, the Government of the United States feels compelled to withhold its adherence to the Convention of September 30, 1921, as well as to the Convention of 1910.

The Acting Secretary of State does not wish it to be understood, however, that the Government of the United States is not in full sympathy with the laudable purposes of the Conventions or that the United States would be unable in the future to cooperate in the formulation of an international convention which might be so prepared as to make it possible for the Government of the United States to become a party.

WASHINGTON, August 18, 1931.

COOPERATION OF THE UNITED STATES WITH SEVERAL OTHER GOVERNMENTS IN RECONNAISSANCE SURVEYS FOR AN INTER-AMERICAN HIGHWAY[43a]

810.154/314

The Minister in Costa Rica (Eberhardt) to the Secretary of State

No. 301 SAN JOSÉ, February 20, 1931.
[Received February 27.]

SIR: Referring to the Department's instruction No. 21 of July 22, 1930,[43b] I have the honor to advise you of the arrival in San José on January 31, 1931, of Mr. W. E. James, of the Bureau of Public Roads of the Department of Agriculture.

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[43] Transmitted in covering despatch No. 1532, August 18, 1931, to the Minister in Switzerland.

[43a] Continued from *Foreign Relations*, 1930, vol. I, pp. 279–296.

[43b] Not printed. See *ibid.*, p. 285, footnote 99.

Mr. James was presented to the President and various Cabinet officers, particularly the Minister of Fomento, who has jurisdiction over road building. I am given to understand that the latter, as well as the President himself, in conversations with Mr. James, advised him that a communication would be directed to the Director of the Pan American Union, inviting the American engineers who are cooperating with the Inter-American Highway Commission, to come to Costa Rica at their convenience to undertake preliminary surveys of the proposed Inter-American Highway route, it being understood that the Costa Rican Government shall be put to no expense in connection with this preliminary survey.

The Minister for Foreign Affairs has advised me today that he is only awaiting certain documents from the Minister of Fomento, when he will extend the written invitation to the Pan American Union, and it would therefore seem that the engineers may be undertaking the preliminary surveys in Costa Rica at a reasonably early date.

Mr. James returned to Panama on February 6, 1931.

Respectfully yours, CHARLES C. EBERHARDT

810.154/357

The Acting Chief of the Bureau of Public Roads of the Department of Agriculture (Fairbank) to Mr. W. R. Manning of the Division of Latin American Affairs

MEMORANDUM

WASHINGTON, October 9, 1931.

Please refer to previous correspondence regarding aerial surveys of certain areas along the route of the proposed inter-American highway, including a letter from the Acting Secretary of Agriculture dated November 29, 1930, the reply thereto by the Assistant Secretary of State on December 12, and a letter from the Secretary of War to the Secretary of State dated January 21, 1931.[43c]

Under arrangements made pursuant to the above correspondence, permission has been secured for such aerial surveys in Costa Rica and these have been partially completed.

We have now outlined our program for the balance of the territory to be surveyed and, accordingly, it is requested that you secure permission from the countries listed below to have aerial surveys made along the general routes indicated.

Guatemala. From San Cristobal on the boundary between El Salvador and Guatemala, through Asuncion Mita, Jutiapa, Azacualpa, Molino, Pino, Guatemala City, Chimaltenango, Patzicia, Tecpam, Las

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[43c] None printed.

Encuentros, Totonicapan, San Mateo, San Marcos, Rodeo and Malacate to a point on the Suchiate River, which forms the boundary between Guatemala and Mexico.

This route follows the highway which already exists between the points mentioned.

It is requested that permission be secured from Mexico for possible landings of the planes on the Tapachula Air Port of the Pan American Airways.

The following spur lines may be deemed necessary for aerial surveys, and should be included in the request to the Government of Guatemala: (1) From Platanar, via Jalpatagua and Jocotillo to Molino; (2) From Patzicia, via Panajachel and Solola to Las Encuentros; and, (3) From San Mateo, via Coatepeque to Ayutla on the boundary between Guatemala and Mexico.

El Salvador. From a point on the Guascoran River (boundary between Honduras and El Salvador) via Santa Rosa, San Miguel, San Salvador and Santa Ana to San Cristobal on the boundary between El Salvador and Guatemala.

The flight should follow the existing highway between these points.

The following possible spur line should be included in the request to the Government of El Salvador: From Santa Ana, via Ahuachapan to the Guatemala boundary near Platanar.

Nicaragua. From the boundary between Costa Rica and Nicaragua at a point near Sapoa, via Rivas, Managua, Leon and Chinandego to a point on the Rio Negro.

The above route may be modified somewhat after field parties have made an inspection, and this fact should be mentioned in the official request to the Nicaraguan Government.

Honduras. From a point on the Rio Negro (boundary between Honduras and Nicaragua) via Choluteca, Namasique, Pavana, a point on the road between Tegucigalpa and San Lorenzo, and Nacaome to a point on the Guascoran River (boundary between Honduras and El Salvador).

It is expected that all the above aerial surveys will be completed during the month of December, next. The order and direction of the flights above listed may have to be changed after conferences on the ground between the field engineers of this Bureau and the Air Corps officers, but the control points will remain as stated.

Will you please advise us as soon as permission for these aerial surveys has been granted by the countries concerned, so that we may be able to discuss details of the flights with the War Department. Since the surveys are scheduled to start December 1, we shall appreciate your expediting the securing of permission in so far as possible.

H. S. FAIRBANK

810.154/357

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

No. 413 WASHINGTON, October 15, 1931.

SIR: There is enclosed for your information a copy of an instruction which is being addressed on this date to the chief of the diplomatic mission in Guatemala,[44] which you will observe asks him to take steps to obtain, if possible, the permission desired by the Bureau of Public Roads of the Department of Agriculture to make an aerial survey during the coming December of certain portions of the projected route of the Inter-American Highway through that country.

In connection with the survey of the region in Guatemala near the border of Mexico, the Acting Chief of the Bureau of Public Roads requests that an effort be made to obtain permission from Mexico for possible landings of the planes at the Tapachula Air Port of the Pan American Airways.

Since the surveys are scheduled to start December 1, 1931 in order that they may, in accordance with expectations, all be completed during that month, expedition in obtaining permission in so far as possible will, it is said, be appreciated by the Bureau of Public Roads.

Please take the matter up with the appropriate authorities in such manner as you deem desirable and report by cable, as promptly as you conveniently can, the results of your action.

Very truly yours, For the Secretary of State:
FRANCIS WHITE

810.154/357

The Secretary of State to the Minister in Guatemala (Whitehouse)[44a]

No. 145 WASHINGTON, October 15, 1931.

SIR: In a letter of October 9 from the Acting Chief of the Bureau of Public Roads of the Department of Agriculture reference is made to the fact that a few months ago permission was obtained through the Legation at San José for an aerial survey to be made by army aircraft from the Panama Canal Zone of certain portions of Costa Rica in connection with the reconnaissance surveys now in progress to locate the most desirable route for the projected Inter-American Highway. The aerial surveys over Costa Rica have, the writer states, been partially completed and a program has now been outlined, he

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[44] *Infra.*

[44a] Similar instructions were sent to the American missions in El Salvador (No. 203), Honduras (No. 188), and Nicaragua (No. 248). The instructions varied only in the technical directions for the surveys, each mission being informed only of the route of survey pertinent to the country in which it was situated as set forth in the memorandum of October 9 from the Acting Chief of the Bureau of Public Roads of the Department of Agriculture, p. 710.

adds, for similar aerial surveys of the especially difficult portions of the projected route through the other four Central American countries. He requests that steps be taken to obtain, if possible, from the Government of each of these countries permission for the projected aerial survey of the routes, described in the letter, through each country.

The following is his description of the routes through Guatemala over which permission to make the aerial survey is desired:

"From San Cristobal on the boundary between El Salvador and Guatemala, through Asuncion Mita, Jutiapa, Azacualpa, Molino, Pino, Guatemala City, Chimaltenango, Patzicia, Tecpam, Las Encuentros, Totonicapan, San Mateo, San Marcos, Rodeo and Malacate to a point on the Suchiate River, which forms the boundary between Guatemala and Mexico.

"This route follows the highway which already exists between the points mentioned.

"The following spur lines may be deemed necessary for aerial surveys, and should be included in the request to the Government of Guatemala: (1) From Platanar, via Jalpatagua and Jocotillo to Molino; (2) From Patzicia, via Panajachel and Solola to Las Encuentros; and, (3) From San Mateo, via Coatepeque to Ayutla on the boundary between Guatemala and Mexico."

The writer of the letter adds the following observation:

"The order and direction of the flights above listed may have to be changed after conferences on the ground between the field engineers of this Bureau and the Air Corps officers, but the control points will remain as stated."

Since the surveys are scheduled to start December 1, 1931 in order that they may, in accordance with expectations, all be completed during that month, expedition in obtaining permission in so far as possible will, it is said, be appreciated by the Bureau of Public Roads.

Please take the matter up with the appropriate authorities in such manner as you deem desirable and report by cable, as promptly as you conveniently can, the results of your action.

Very truly yours, For the Secretary of State:
FRANCIS WHITE

810.154/358 : Telegram

The Chargé in Nicaragua (Beaulac) to the Secretary of State

MANAGUA, October 27, 1931.
[Received 8:45 p. m.]

190. Department's instruction 248 of October 15.[44b] Permission granted.

BEAULAC

[44b] See footnote 44a, p. 712.

810.154/359 : Telegram

The Chargé in Honduras (Higgins) to the Secretary of State

TEGUCIGALPA, October 28, 1931—5 p. m.
[Received 10 : 50 p. m.]

177. Department's instruction No. 188 October 15, 1931.[45] Permission granted for aerial surveys for Inter-American Highway.

HIGGINS

810.154/362 : Telegram

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

GUATEMALA, November 2, 1931—10 a. m.
[Received 3 : 30 p. m.]

61. With reference to the Department's instruction 145, October 15, permission granted.

WHITEHOUSE

810.154/366 : Telegram

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

SAN SALVADOR, November 20, 1931—11 a. m.
[Received 1 p. m.]

94. Referring to Department's instruction No. 203 of October 15,[45] the President informs me orally that the Salvadoran Government agrees gladly to the aerial survey.

CURTIS

810.154/370 : Telegram

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

MEXICO, December 11, 1931—5 p. m.
[Received 8 : 43 p. m.]

407. Referring to Department's instruction No. 413, October 15th, note received today from Foreign Office states permission granted as requested for possible landings in Mexico of army airplanes to be used in aerial survey.

CLARK

[Final details of the reconnaissance survey were not completed until 1933. For full report of the survey prepared by the Bureau of Public

[45] See footnote 44a, p. 712.

Roads, Department of Agriculture, see Senate Document 224, 73d Cong., 2d sess.: *Proposed Inter-American Highway.*]

THE CHACO DISPUTE BETWEEN BOLIVIA AND PARAGUAY[45a]

724.3415/1186

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

No. 207 ASUNCIÓN, April 25, 1931.
[Received May 11.]

SIR: With reference to my telegram No. 48 dated April 22, 12 Noon,[45b] concerning a note received from the Minister for Foreign Affairs regarding the Chaco question, I have the honor to transmit, herewith, a copy of the note in question. A copy of my reply is also enclosed.[45b]

I have the honor to add that the Minister for Foreign Affairs told me that he wanted the date of delivery of this note to coincide with that of the appointment of a Paraguayan Minister at Washington but that, since Dr. Ramon Caballero Bedoya has declined to accept that post and as no one else is likely to be appointed immediately, it was determined to send the note without further delay.

The desire of the Paraguayan Government to make some progress in the settlement of the Chaco question has been discussed in numerous despatches, and I have only to add that its anxiety increases as time passes.

Respectfully yours, JOHN B. FAUST

[Enclosure—Translation]

The Paraguayan Minister for Foreign Affairs (Zubizarreta) to the American Chargé (Faust)

No. 502 (bis) ASUNCIÓN, April 20, 1931.

MR. CHARGÉ D'AFFAIRES: The Government of the United States of America and other Governments offered their good offices to Paraguay and Bolivia in carrying on negotiations for the purpose of finding ways to settle the boundary dispute pending between the two countries named.

This offer suggested the idea that the Governments of the interested parties should initiate direct conversations, at Washington or some other capital, through their diplomatic representatives, and that a neutral organ of merely advisory or cooperative character should be

[45a] Continued from *Foreign Relations*, 1930, vol. I, pp. 309–344.
[45b] Not printed.

formed for the contingency of an impasse between the said parties or to help overcome any obstacles that might arise during the proceedings.

In this state of affairs, the Government of Paraguay hastened to accept the aforementioned offer, expressing thanks for the amicable attitude and friendly spirit manifested therein.

My Government has not received official advice of Bolivia's reply, but it knows that the latter country made reservations and laid down premises which in a way constituted conditions on its acceptance.

The Government of Paraguay, consistently with its invariable policy, and seeing in the good offices so graciously offered a new opportunity to put forth efforts toward finding a solution of the questions connected with the boundary dispute, reaffirms the acceptance which it accorded.

It must, nevertheless, in anticipation of misinterpretations, declare that such acceptance does not, even by implication signify the slightest acquiescence in the reservations and premises formulated by Bolivia.

The Government of Paraguay, in its desire to preserve the precious blessings of peace and in order worthily to respond to the friendly action of the neutral Governments, is disposed to cooperate in the aforementioned negotiations in the best spirit, but free from any commitment and without binding engagements which might trammel its judgment in defense of the sacred interests of its country or in any wise interfere with its decisions.

The internal political events of Bolivia and, in consequence thereof, the formation of a *de facto* Government [46] opened a gap in the operation of the good offices. This cause of delay has now disappeared with the assumption of power by a constitutional Government and the time has come to know whether it is willing to accept these offices or not.

My Government desires that through such reply the gracious offer of the neutral Governments may lead to a conclusion, since the offer should not remain in suspense indefinitely.

I do not need to emphasize the dangers involved in the present situation owing to the military advances of Bolivia into the Chaco, that is, into a territory possessed in its entirety by Paraguay from the most remote time, and—what is more grave—into a zone which the award of Mr. Hayes, President of the United States of America,[47] recognized over half a century ago, in an arbitral proceeding which afforded him full knowledge of the case, as belonging lawfully to my country. These advances, which are detrimental to the rights of my country and disturb its ancient and peaceful possession, are still more grievous owing to their military character. They have caused a state of things to exist

[46] See *Foreign Relations*, 1930, vol. I, pp. 415 ff.
[47] For text of award of November 12, 1878, see *ibid.*, 1878, p. 711.

in the Chaco which justly irritates the public conscience of my country and have, craftily and in violation of the compacts designed to regulate the conduct of the two parties, brought about a proximity exposed to every kind of incidents.

My Government wishes once more to state that Paraguay has never shunned a discussion of her rights for the simple reason that she relies on them, and never has she refused to seek essentially juridical means of solving all the aspects of the boundary question. She has given abundant proofs of this spirit.

Consequently, and in view of the circumstances that a new regular Government has been set up in Bolivia, my Government would be thankful to that of Your Excellency and to all the other Governments associated with it in the offer of good offices if they would kindly inform it as to whether these good offices are to be carried into practice.

I avail myself [etc.] G. ZUBIZARRETA

724.3412/2 : Telegram

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

[Paraphrase]

RIO DE JANEIRO, May 12, 1931—noon.
[Received 2:15 p. m.]

27. Your 28, May 5, 4 p. m.[48] The following is strictly confidential for the Secretary.

Yesterday the Brazilian Minister for Foreign Affairs inquired if the Department would regard with favor a suggestion to cooperate with the Government of Brazil in proposing a plan to harmonize the interests of Bolivia and Paraguay on all matters on which they disagree and which occasion recurring friction. If agreeable to the Department the Minister would propose that the Department prepare a draft proposition which when accepted by Brazil should be presented simultaneously and in the same form by the Governments of the United States and of Brazil to Bolivia and Paraguay. Only the Governments of the United States and of Brazil should take this action, and until the approved proposition is submitted to the Governments of Bolivia and Paraguay knowledge thereof should not be made known in any way to any South American or Central American government.

I transmit this suggestion to you at the request of the Minister.

MORGAN

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[48] Not printed.

724.3415/1189 : Telegram

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

[Paraphrase]

WASHINGTON, May 14, 1931—2 p. m.

33. Embassy's telegram No. 27, May 12, noon. The Department fears that another frontier incident or outbreak of hostilities may occur for other reasons, in which case it feels that the five neutral nations which have acted so far in the matter should be in a position immediately to take steps to maintain the peace. There is no assurance that an offer on the part of the Governments of the United States and of Brazil, as now suggested by the Government of Brazil, would be successful. The information now in the Department's possession leads it to doubt very much whether Bolivia would accede to such a suggestion. In that event, either Bolivia or Paraguay, or both, might say that this action on the part of the Governments of the United States and of Brazil had superseded and terminated any action on the part of the five neutral nations, and for reasons above given it is the feeling of the Department that it should avoid being placed in such a situation.

At the International Conference of American States on Conciliation and Arbitration,[49] the delegate of Brazil was a member of the subcommittee which handled the Bolivia-Paraguay matter, and Brazil was one of the countries which was originally asked to form the neutral committee of five. The Government of Brazil, for reasons set forth at that time, declined.[50] The Government of the United States would welcome the return of Brazil to an active interest in the question. If the Government of Brazil desires to recommend to the five neutral nations that they take action with Brazil, the Government of the United States would be pleased to do so, provided the other neutral nations are also in agreement, and the Government of the United States would be prepared, if and when the suggestion is made to the neutral nations by Brazil, to notify the other neutral nations that the Government of the United States would be willing to support such action. You may advise the Brazilian Minister for Foreign Affairs of the foregoing.

STIMSON

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[49] Held at Washington, December 10, 1928–January 5, 1929; see *Foreign Relations*, 1928, vol. I, pp. 621 ff., and *ibid.*, 1929, vol. I, pp. 653 ff. For the proceedings of the Conference, see *Proceedings of the International Conference of American States on Conciliation and Arbitration, Held at Washington, December 10, 1928–January 5, 1929* (Washington, Government Printing Office, 1929).

[50] See telegram No. 2, January 3, 1929, 6 p. m., from the Ambassador in Brazil, *Foreign Relations*, 1929, vol. I, p. 831.

724.3415/1193

The Bolivian Minister (Diez de Medina) to the Secretary of State

[Translation]

WASHINGTON, May 27, 1931.

MR. SECRETARY OF STATE: I have the honor to bring to the attention of Your Excellency the circular which the Minister of Foreign Relations of Bolivia, Dr. Daniel Sanchez Bustamante, addressed, under date of April 11, last, to the legations of Bolivia abroad, and which is of the following tenor:

"Ministry of Foreign Relations and Worship. Diplomatic Section. Circular No. 357. La Paz, April 11, 1931. Subject: Message of the President of Paraguay to the Congress of his country. Mr. Minister: His Excellency Mr. José P. Guggiari, President of the Republic of Paraguay, has just made in his message of April 2, addressed to the Congress of his country, certain allegations concerning the Chaco controversy, in which he ascribes to Bolivia attitudes or acts which are at variance with historical truth. Although it is the full intention of this Ministry not to carry on useless disputes which merely impede progress toward prudent, positive and fruitful negotiations, which both nations should endeavor to bring about, it is impossible to ignore the statements of His Excellency Mr. Guggiari, as this would prejudice the good name of Bolivia.

'The *de facto* situation existing in the Chaco, created by Bolivia' it is stated in the message referred to, 'presents the principal obstacle which prevents negotiations from being carried on with sincerity and intelligence and resulting in just solutions. We must insist on the removal of the cause of this obstacle, in order to develop our relations with that country in the harmony which is necessary for determining the boundary line. Faith in negotiations and in subsequent agreements can be the result only of scrupulous fulfilment of the pacts which are in force.'

The *de facto* situation existing in the Chaco was not created by Bolivia, but is the result of the persistent refusal of Paraguay to approve the treaties concluded since 1879, and to accept fundamental solutions, disregarding the incidental disputes, as happened in the Buenos Aires conferences,[51] the minutes of which are conclusive proof that Paraguay fought only to impose a *status quo*, in accordance with her own interpretations, refusing to enter into the essential question, in accordance with the Gutierrez-Diaz Leon protocol,[52] and going to such an extreme that the representative of the Argentine Government, Dr. Isidoro Ruiz Moreno, in order to end the deadlock, made the

[51] See "Minutes and documents of the conferences of Paraguayan and Bolivian plenipotentiaries held in Buenos Aires under the auspices of the Argentine Government" in *Proceedings of the Commission of Inquiry and Conciliation, Bolivia and Paraguay, March 13, 1929–September 13, 1929* (Washington [1929]), pp. 265 ff.; also, *Foreign Relations*, 1927, vol. I, pp. 315 ff., and *ibid.*, 1928, vol. I, pp. 673–678.

[52] Signed April 22, 1927; for text, see despatch No. 275, April 29, 1927, from the Chargé in Argentina, *ibid.*, 1927, vol. I, p. 316.

following suggestion: 'that Paraguay agree to proceed directly to arbitration on the basic question.'

The systematic and constant advance of the military forces and civil occupation of territory by Paraguay, within the territory of Bolivia—although that country, like ours, was under the obligation to keep within the possessions of 1907, in conformity with the Pinilla-Soler protocol [53]—obliged Bolivia to adopt some precautionary measures to safeguard her possessions and sovereignty [*dominio eminente*], i. e., in defense of her territory. Before 1907, Bolivia was facing the Esteros de Patiño, as shown [*que invocó*] in the documents referred to in the said conferences, where it was established that the national delegate, Dr. Leocadio Trigo, arrived there before 1907, exercising all the attributes of positive and conclusive Bolivian sovereignty.

At the time of the Pinilla-Soler protocol, Paraguay began to construct railways, grant concessions lavishly, and establish military posts, beyond the limits of the possessions which, in conformity with the *status quo*, she was bound to respect, and which are very different from the lines drawn under the arbitral award in the same factum. The Ministry of Foreign Affairs at Asunción, tried to confuse those lines, which were cancelled in 1913, by the Ayala-Mujía Protocol,[54] with the possessions which were maintained by the *status quo* of 1907 in the Chaco, i. e., to the south of Bahia Negra. All this was fully discussed in the Buenos Aires conferences the failure of which was the result of the determination of Paraguay to protect with her theory of *status quo* a mobile and progressive system of taking possession of territory and to confirm it by invoking 'pacts in force'.

Now His Excellency Mr. Guggiari again invites Bolivia to remove the causes of the obstacle, i. e., he returns to the incidental proposition, as a preliminary, knowing that it will never bring us to an agreement, and that the only feasible and effective step would be resolutely to seek a clear program for discussion, within which Bolivia will proceed to a basic solution, either by direct agreement or by arbitration, and, finally, by the good offices of friendly and neutral governments.

Bolivia once more declares that she is not willing to admit the Paraguayan interpretation which confuses the *status quo* line of the Protocol of 1907, with the lines of the arbitration zone laid down in the same agreement, whose caducary was declared in 1913. The 'pact in force' between the two countries, together with the Gutierrez-Diaz Leon Protocol and the Washington Act of Conciliation [55] would be the *status quo* of 1907, if Paraguay had not nullified it from that date, obliging Bolivia to take precautions for the legitimate defense of her possessions.

The Washington Act, while one of conciliation, recognizes, however, the provocation on the part of Paraguay in the deplorable events of 1928, in the following paragraphs:

'Whereas: the historical statement of the facts shows that the Vanguardia incident preceded the events which took place in the Boquerón sector.

'Whereas: the use of coercive means on the part of Paraguay at Vanguardia caused the reaction of Bolivia.'

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[53] *Foreign Relations*, 1907, pt. 1, p. 87.

[54] *Ibid.*, 1915, p. 33.

[55] See telegram No. 50, September 12, 1929, to the Chargé in Bolivia, *ibid.*, 1929, vol. I, p. 860.

These points [*considerandos*], accepted and subscribed to by the plenipotentiaries of Paraguay, eloquently express that it was not Bolivia that 'introduced innovations in the status of the peaceful relations of the two countries.'

If the conciliation resolution of Washington does not properly constitute an agreement of *status quo*, it indicates on the other hand the only situation confirmed by the agreement of the two parties, and by the guarantee of five neutral governments, which can at present be invoked and maintained in the Chaco, pending possible legal solutions. The protection (*amparo*) of the positions of 1928, established at Washington, undoubtedly does not define the basic question or the legal aspects, as expressly declared by the Chairman of the Commission, at the time the Protocol was signed, but maintains a positive position which must be respected pending the adjustment of the controversy, and which none of the interested parties can arbitrarily change. Neither does the said Act refer to any 'pact in force'.

The Government of Bolivia accepted the good offices again offered at the close of 1929 by the five neutral governments represented at Washington,[56] in case the direct negotiations should not succeed, and is willing not to neglect any procedure in order to reach an amicable adjustment of the Chaco question. Nevertheless, it states categorically, that it will not enter into new, fruitless and irregular discussions such as occurred at Buenos Aires, and would occur if Paraguay should again insist in pleading [*plantear*] previous incidents with regard to the unsolved points of the conferences of 1927 and 1928, points which form an insuperable obstacle for the adjustment. It also once more declares that it cannot compromise as to the pledge to submit to arbitration its southeast territory, in an indeterminate and indefinite form, contrary to all precedent and against every principle of sovereignty, as it stated at Buenos Aires and Washington, through its delegates.

The only thing which can put us on the road to solution of problems and to definitive peace, matters which are so complex and difficult in this dispute, would be to take up with good will between the chancelleries, a preliminary plan for attempting, before everything else, the supreme effort of direct negotiation and of arbitration, and to guarantee, in the meantime, non-aggression, increasing harmony and the security of legal solutions.

Please be good enough, Mr. Minister, to bring to the attention of the chancellery near which you are accredited, the tenor of the present circular, and give it the publicity which the case requires.

I renew to you, Mr. Minister, on this occasion, the sentiments of my most distinguished consideration. (signed) D. S. Bustamante. To Mr. Eduardo Diez de Medina, Envoy Extraordinary and Minister Plenipotentiary of Bolivia, Washington, D. C."

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[56] For text of note of October 1, 1929, offering good offices to Bolivia and Paraguay, see circular telegram of September 23, 1929, 6 p. m., to the American diplomatic representatives in Bolivia and Paraguay, *ibid.*, p. 903, and telegram No. 57, September 30, 1929, 10 a. m., to the Chargé in Bolivia, *ibid.*, p. 905. For Bolivian reply of November 13, 1929, see telegram No. 85, November 15, 1929, 6 p. m., from the Chargé in Bolivia, *ibid.*, p. 920.

In carrying out the instructions received by me from the head of the Ministry of Foreign Affairs of my country, I have the honor and pleasure to renew [etc.].

E. DIEZ DE MEDINA

724.3415/1208a : Circular telegram

The Secretary of State to the American Diplomatic Representatives in Colombia, Cuba, Mexico, and Uruguay

WASHINGTON, June 8, 1931—5 p. m.

The Department received about 10 days ago from the Legation in Asunción a note from the Minister of Foreign Affairs dated April 20, in which Paraguay renewed its acceptance of the offer of the neutrals of October, 1929, and stated that now that there is a constitutional Government in Bolivia it thought the time had come to know whether the good offices were to be carried out or not. Similar notes were sent to the representatives of the other neutral Governments in Asunción except Colombia which has no mission there. The note to Colombia, however, was transmitted through the Paraguayan and Colombian Legations at Buenos Aires.

A meeting of the neutral representatives was held in the Department on June 2; the matter was discussed and it was decided to draw up a note to Bolivia and a reply to Paraguay; to submit these to the neutral Governments and if they agreed on the terms thereof, that agreement would then be made regarding a date on which the notes would be transmitted to the two Governments concerned. Subsequently the Department received from the Bolivian Minister the text of the circular of April 11 from the Minister of Foreign Affairs of Bolivia,[57] and this was taken into account in drawing up the notes. At a meeting in the Department today, the diplomatic representatives of the four other neutral Governments agreed with the Department on the text which is transmitted to you herewith. Please give a copy of it to the Government to which you are accredited. The diplomatic representative in Washington will cable his Government regarding it. Please cable any observations of the Government and if it finds the note acceptable as it is please so inform the Department.

The text of the proposed note to Bolivia is as follows:

[Here follows the text of the note contained in telegram No. 23, June 22, 7 p. m., printed on page 725.]

The text of the proposed note to Paraguay is as follows:

[Here follows the text of the note contained in telegram No. 20, June 22, 7 p. m., to the Chargé in Paraguay, printed on page 727.]

STIMSON

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[57] See note of May 27 from the Bolivian Minister, p. 719.

724.3415/1228

Memorandum by the Assistant Secretary of State (White) of Conversations With the Bolivian Minister (De Medina) and With the Paraguayan Chargé (Ynsfran)

[WASHINGTON,] June 19, 1931.

In view of the articles appearing in today's *New York Times* and *New York Herald Tribune*, publishing a statement issued by the Bolivian Minister regarding the dispute with Paraguay and the Paraguayan Chargé's answer thereto, I asked the Bolivian Minister to call on me this afternoon.

At first there was a brief general discussion regarding the matter of the Chaco in which the Minister stated the readiness of his Government to endeavor now to settle this matter. I told him that I thought the present moment was the most propitious that has existed for many months, to which he agreed. I then told him that I was expressing merely my personal views but I thought it would be a great pity should anything be allowed to disturb this favorable atmosphere and that I was going to make the personal suggestion to him that it would be better and to the interest of all to avoid any newspaper discussion of the matter. The Minister said that he agreed fully; that he thought newspaper discussion was a great mistake and calculated to make the solution more difficult.

He then said that he would tell me how his statement arose. He had learned that in the Paraguayan note to the neutrals of April 20, last, the statement was made that Bolivia was advancing in the Chaco. He considered it his duty to advise his Government of this and, in reply, he had received categoric instructions to deny the statement, and that was the reason he had made his statement in the press. . . .

I told him that it is of course within his province to inform his Government of any information he got but that, in view of the fact that the note of Paraguay has not been made public, I frankly did not see the object of making a public statement regarding it. If he wished to inform the representatives here of the neutral Governments, that was one thing, but by making a public statement he was not answering anything that Paraguay had published but was taking the initiative in the press which had called forth the Paraguayan Chargé's reply. The Minister replied that this was quite true but that he had followed instructions from his Government and while he did not agree with them, nevertheless, he had to act.

I inquired whether he cabled his Government the Paraguayan reply and he said that he had and that the Paraguayan Chargé was rather a nervous man who always went beyond the limit in his replies. I then expressed the very earnest hope that no reply would be made to the Paraguayan statement. The Minister said that he agreed and that

he would this afternoon cable his Government saying that I had discussed the matter with him and that this was my view, in which he concurred. I told him I should be very glad to have him do so.

I then asked the Paraguayan Chargé to come in and discussed the matter with him. He said that he also was in hearty accord with my views in the matter; that he thought any publicity was unfortunate and unhelpful, but when the attack was made on his Government he had to answer or his Government would think that he was too lenient and was allowing his country to be made fun of. I said that sometimes it was more to a country's advantage to leave such a statement unanswered in order not to give it any further significance or publicity than to answer it. I said that this Government often acted on that basis. He replied that that was quite all right for the United States because the United States is the United States, which means the largest and most powerful country in the world, occupying the whole continent. The weak, smaller countries, just because they are weak, are not serene enough to look at things in that way. He said that the Bolivian statement was wholly uncalled for but he hoped there would be no further polemics. Despite their personal friendship, he has had three such discussions with the Bolivian Minister in the *New York Herald Tribune* and *La Prensa* of New York. I told him that I had spoken with the Bolivian Minister and trusted that there would be no further statements. As he intimated that if there should be another statement from the Bolivian side he would have to answer it, I said I hoped very much that he would talk matters over with me before doing so in the hope that we might find some other way out in order to put an end to the discussion. He said that he would be glad to do so.

F[RANCIS] W[HITE]

724.3415/1230a : Circular telegram

The Secretary of State to the American Diplomatic Representatives in Colombia, Cuba, Mexico, and Uruguay

WASHINGTON, June 22, 1931—7 p. m.

All the Governments having agreed on the text of the notes to be delivered to Bolivia and Paraguay, the diplomatic representatives in Washington of the neutral Governments have agreed with the Department that the notes should be delivered to the Bolivian and Paraguayan Governments on Thursday, June 25. Please so inform the Government to which you are accredited.

STIMSON

724.3415/1230c: Telegram

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

WASHINGTON, June 22, 1931—7 p. m.

23. On Thursday, June 25, please present following note to Bolivian Government:

"In its note of February 25, 1930 to the five neutral Governments,[59] the Government of Bolivia expressed the opinion that prior to any exchange of ideas regarding the fundamental controversy between Bolivia and Paraguay, the decisions of the Commission of Conciliation at Washington should be fulfilled. The note further stated that Bolivia received with pleasure the suggestion of the neutrals to commence conversations between the diplomatic representatives of Bolivia and Paraguay accredited to the Government of the United States of America, and that the conversations of the Bolivian and Paraguayan diplomats taking place in the quiet and propitious atmosphere of Washington, cooperating with those which will be re-opened in La Paz or Asunción, will give satisfactory results. The Bolivian Government added that it had faith and confidence in this and that if these conversations do not settle the territorial litigation itself they will at least offer in concrete form the necessary material upon which a subsequent arbitration may offer the last word.

The note also stated that the practical means found by the neutrals would probably bring both countries to the terms of an agreement.

The Bolivian Government will recall that the practical means found by the neutrals as set forth in their note of October 1, 1929,[60] was:

'That the wishes of both parties may be met by their agreement to enter immediately into direct negotiations for a settlement, at the same time establishing a Commission composed of members of the five neutral nations represented on the Commission whose labors terminated on September 13th, this Commission to be available not only to take up the work should the direct negotiations unfortunately not succeed but also to render its good offices with a view to overcoming obstacles which may arise during the course of the direct negotiations thereby being in a position perhaps to help those direct negotiations to a successful conclusion.'

Furthermore, in their note of January 9, 1930,[61] to the Bolivian Government, the five neutral Governments stated that:

'Noting with pleasure that the Government of Bolivia expects to inform them of its acceptance of their offer of good offices, should the direct negotiations fail, the five Governments are glad to state their readiness to appoint at that time members to form a friendly neutral Commission whose good offices it hopes will be of service to the two Governments concerned. In the meantime, in order that their services may be the more easily available to the two contending Governments, they take pleasure in stating that they are willing that their diplomatic representatives in Washington keep in touch with the situation as it develops in order that when proper they may be utilized for the organization

[59] See telegram No. 16, February 27, 1930, 5 p. m., from the Chargé in Bolivia, *Foreign Relations*, 1930, vol. I, p. 338.

[60] See circular telegram of September 23, 1929, 6 p. m., to the American diplomatic representatives in Bolivia and Paraguay, *ibid.*, 1929, vol. I, p. 903, and telegram No. 57, September 30, 1929, 10 a. m., to the Chargé in Bolivia, *ibid.*, p. 905.

[61] See *ibid.*, pp. 927–933, and telegram No. 2, January 6, 1930, 5 p. m., to the Chargé in Bolivia, *ibid.*, 1930, vol. I, p. 327.

of the Commission in question which shall be composed of delegates especially appointed thereto.'

The Governments of Mexico, Colombia, Uruguay, Cuba and the United States of America have seen with the greatest satisfaction that through the instrumentality of the Uruguayan Government, as requested in the resolution of September 12, 1929,[62] of the Commission of Conciliation at Washington, not only were diplomatic relations renewed between Bolivia and Paraguay but also the remaining stipulation of the Act of Conciliation signed September 12, 1929, was accomplished on July 23, 1930,[63] by the return of Forts Boquerón and Vanguardia to Paraguay and Bolivia respectively, thus removing the obstacle which Bolivia stated it found to going forward with the discussion of the fundamental question at issue.

The neutral Governments have now received a note dated April 20, 1931, from the Paraguayan Government in which the latter states that seeing in the good offices so kindly offered a new opportunity to put forth its efforts to find a solution of all questions relative to the boundary dispute, it ratifies the acceptance which it gave to the neutral offer of October 1, 1929. The Paraguayan Government states that with the assumption of power by a constitutional Government in Bolivia it believes that the moment has arrived to know whether the good offices offered by the neutral Governments are to be carried into practice.

The neutral Governments have also been gratified to receive the circular of April 11, last, from the Minister for Foreign Affairs of Bolivia in which he states that the Government of Bolivia accepted the good offices again offered at the close of 1929 by the five neutral Governments represented at Washington in case the direct negotiations should not succeed, and is willing not to neglect any procedure in order to reach an amicable adjustment of the Chaco question. The circular adds that the only thing that can put Bolivia and Paraguay on the road to definitive peace and a solution of such complex and difficult questions in this dispute would be to take up with good-will between the chancelleries a preliminary plan for attempting, before everything else, the supreme effort of direct understanding and of arbitration, and to guarantee in the meantime non-aggression, increasing harmony and the certainty of juridical solutions.

The five neutral Governments, in view of the fact that the Bolivian and Paraguayan Governments seem to be in accord in their desires in the matter, have the honor to enquire whether the Bolivian Government is now disposed to authorize its diplomatic representative in Washington to enter into negotiations regarding the settlement of the outstanding territorial and frontier difficulties in the Chaco, such negotiations to be supplemented by such further negotiations between the diplomatic representatives of Bolivia and Paraguay in Asunción and La Paz, respectively, as the two Governments may deem advantageous. The neutral Governments at the same time renew their readiness to have their diplomatic representatives in Washington keep in touch with the situation as it develops in order that when proper they

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[62] See telegram No. 50, September 12, 1929, to the Chargé in Bolivia, *Foreign Relations*, 1929, vol. I, p. 860.

[63] See telegram No. 51, July 24, 1930, 5 p. m., from the Chargé in Bolivia, *ibid.*, 1930, vol. I, p. 327.

may be utilized for the organization of a Commission which should be composed of delegates especially appointed thereto.

It is of course not the view of the neutral Governments that the Commission suggested in their notes of October 1, 1929 and January 9, 1930 should have any powers other than may be accorded to it by the Governments of Bolivia and Paraguay but that the good offices of the Commission should at all times be available in an endeavor to bring the two parties to a direct accord. Pending the formation of a Commission, the diplomatic representatives of the neutral Governments in Washington will be happy to be of any possible service to the two Governments to this end.

A copy of this note is being delivered to the Paraguayan Government and a copy of the answer to the Paraguayan note of April 20, 1931, is enclosed herewith for the information of the Bolivian Government."

The Paraguayan note is as follows:

[Here follows the text of the note to Paraguay quoted in telegram No. 20, June 22, 7 p. m., to the Chargé in Paraguay, printed *infra*.]

STIMSON

724.3415/1230b : Telegram

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

WASHINGTON, June 22, 1931—7 p. m.

20. On Thursday, June 25, please present following note to Paraguayan Government:

"The Governments of Mexico, Colombia, Uruguay, Cuba and the United States of America have received with pleasure the note of the Paraguayan Government of April 20, 1931, ratifying its acceptance of the offer made by the neutral Governments to the Paraguayan and Bolivian Governments on April [*October?*] 1, 1929, and stating that the assumption of power in Bolivia of a constitutional Government has removed any reason for halting the good offices of the neutral Governments and requesting the neutral Governments to inform it if these good offices should now be made effective.

In its note of February 25, 1930 to the five neutral Governments, the Government of Bolivia expressed the opinion that prior to any exchange of ideas regarding the fundamental controversy between Bolivia and Paraguay, the decisions of the Commission of Conciliation at Washington should be fulfilled. The note further stated that Bolivia received with pleasure the suggestion of the neutrals to commence conversations between the diplomatic representatives of Bolivia and Paraguay accredited to the Government of the United States of America, and that the conversations of the Bolivian and Paraguayan diplomats taking place in the quiet and propitious atmosphere of Washington, cooperating with those which will be re-opened in La Paz or Asunción, will give satisfactory results. The Bolivian Government added that it had faith and confidence in this and that if these conver-

sations do not settle the territorial litigation itself they will at least offer in concrete form the necessary material upon which a subsequent arbitration may offer the last word.

The note also stated that the practical means found by the neutrals would probably bring both countries to the terms of an agreement.

The practical means found by the neutrals as set forth in their note of October 1, 1929, was:

'That the wishes of both parties may be met by their agreement to enter immediately into direct negotiations for a settlement, at the same time establishing a Commission composed of members of the five neutral nations represented on the Commission whose labors terminated on September 13th, this Commission to be available not only to take up the work should the direct negotiations unfortunately not succeed but also to render its good offices with a view to overcoming obstacles which may arise during the course of the direct negotiations thereby being in a position perhaps to help those direct negotiations to a successful conclusion.'

Furthermore, in their note of January 9, 1930, to the Bolivian Government, the five neutral Governments stated that:

'Noting with pleasure that the Government of Bolivia expects to inform them of its acceptance of their offer of good offices, should the direct negotiations fail, the five Governments are glad to state their readiness to appoint at that time members to form a friendly neutral Commission whose good offices it hopes will be of service to the two Governments concerned. In the meantime, in order that their services may be the more easily available to the two contending Governments, they take pleasure in stating that they are willing that their diplomatic representatives in Washington keep in touch with the situation as it develops in order that when proper they may be utilized for the organization of the Commission in question which shall be composed of delegates especially appointed thereto.'

The Governments of Mexico, Colombia, Uruguay, Cuba and the United States of America have seen with the greatest satisfaction that through the instrumentality of the Uruguayan Government, as requested in the resolution of September 12, 1929, of the Commission of Conciliation at Washington, not only were diplomatic relations renewed between Paraguay and Bolivia but also the remaining stipulation of the Act of Conciliation signed September 12, 1929, was accomplished on July 23, 1930, by the return of Forts Boquerón and Vanguardia to Paraguay and Bolivia respectively, thus removing the obstacle which Bolivia stated it found to going forward with the discussion of the fundamental question at issue.

The neutral Governments have also been gratified to receive the circular of April 11, last, from the Minister for Foreign Affairs of Bolivia in which he states that the Government of Bolivia accepted the good offices again offered at the close of 1929 by the five neutral Governments represented at Washington in case the direct negotiations should not succeed, and is willing not to neglect any procedure in order to reach an amicable adjustment of the Chaco question. The circular adds that the only thing that can put Bolivia and Paraguay on the road to definitive peace and a solution of such complex and difficult questions in this dispute would be to take up with good-will between the chancelleries a preliminary plan for attempting, before everything else, the supreme effort of direct understanding and of arbitration, and to guarantee in the meantime non-aggression, increasing harmony and the certainty of juridical solutions.

The five neutral Governments, in view of the fact that the Paraguayan and Bolivian Governments seem to be in accord in their desires in the matter, have the honor to enquire whether the Paraguayan Government is now disposed to authorize its diplomatic representative in Washington to enter into negotiations regarding the settlement of the outstanding territorial and frontier difficulties in the Chaco, such negotiations to be supplemented by such further negotiations between the diplomatic representatives of Paraguay and Bolivia in La Paz and Asunción, respectively, as the two Governments may deem advantageous. The neutral Governments at the same time renew their readiness to have their diplomatic representatives in Washington keep in touch with the situation as it develops in order that when proper they may be utilized for the organization of a Commission which should be composed of delegates especially appointed thereto.

It is of course not the view of the neutral Governments that the Commission suggested in their notes of October 1, 1929 and January 9, 1930 should have any powers other than may be accorded to it by the Governments of Paraguay and Bolivia but that the good offices of the Commission should at all times be available in an endeavor to bring the two parties to a direct accord. Pending the formation of a Commission, the diplomatic representatives of the neutral Governments in Washington will be happy to be of any possible service to the two Governments to this end.

A copy of this note is being delivered to the Bolivian Government and a copy of the note sent to the Bolivian Government today is enclosed herewith for the information of the Paraguayan Government."

The Bolivian note is as follows:

[Here follows the text of the note to Bolivia quoted in telegram No. 23, June 22, 7 p. m., to the Chargé in Bolivia, printed *supra*.]

STIMSON

724.3415/1189 supp.: Telegram

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

WASHINGTON, June 23, 1931—1 p. m.

41. Department's 33, May 14, 2 p. m. Department received the last week in May a note addressed by the Paraguayan Government to the American Chargé d'Affaires at Asunción on April 20, reiterating its acceptance of the offer of good offices of the neutral Governments and stating that with the inauguration of a constitutional Government of Bolivia the time had come to know whether the good offices would be proceeded with or not. Similar notes were sent to the other neutrals. Early in June the Department received from the Bolivian Legation here a copy of the circular from the Minister of Foreign Affairs of Bolivia of April 11th regarding the Chaco matter. As a result, meetings of the neutrals were held in Washington on June 2d and 8th when the texts of notes to the Bolivian and Paraguayan Governments were

agreed upon. The notes were then submitted to the neutral Governments, all of which have now approved and the notes will be delivered to the two Governments on Thursday, June 25th.

In note to Bolivia the five neutral Governments state that

"In view of the fact that the Bolivian and Paraguayan Governments seem to be in accord in their desires in the matter, have the honor to enquire whether the Bolivian Government is now disposed to authorize its diplomatic representative in Washington to enter into negotiations regarding the settlement of the outstanding territorial and frontier difficulties in the Chaco, such negotiations to be supplemented by such further negotiations between the diplomatic representatives of Bolivia and Paraguay in Asunción and La Paz respectively, as the two Governments may deem advantageous. The neutral Governments at the same time renew their readiness to have their diplomatic representatives in Washington keep in touch with the situation as it develops in order that when proper they may be utilized for the organization of a Commission which shall be composed of delegates especially appointed thereto."

A similar statement was made in the note to Paraguay. The Department will be glad to have you confidentially advise the Minister for Foreign Affairs of the above and state that this Government would of course welcome any support the Brazilian Government would care to give to these notes to Bolivia and Paraguay.

STIMSON

724.3415/1230 : Telegram

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

[Paraphrase]

RIO DE JANEIRO, June 23, 1931—2 p. m.
[Received 2:50 p. m.]

38. This Embassy's despatch No. 3600 dated May 20.[64] Yesterday, at the weekly diplomatic audience, the Minister for Foreign Affairs again pointed out that the dangerous tension which existed between Bolivia and Paraguay was increasing. He is of the opinion that measures should be taken to induce Bolivia and Paraguay to accept the double arbitration set forth in that despatch. While the Minister did not say so, Brazil is evidently prepared to assume some interested part in the [proposed?] reconciliation which it declined to do at the time of the appointment of the neutral committee.

MORGAN

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[64] Not printed.

724.3415/1229a : Telegram

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

WASHINGTON, June 24, 1931—1 p. m.

24. Legation at Asunción reported on 23d instant[65] that a Bolivian note was delivered the previous day protesting against recent statements of Paraguayan Chargé d'Affaires at Washington and requesting rectification under threat to recall Minister at Asunción. Cable adds that Minister for Foreign Affairs is reported at his home indisposed but at the same time drafted a reply which was due to be delivered yesterday afternoon and which the Chargé was reliably informed is unlikely to be of tenor entirely satisfactory to Bolivia.

Department is telegraphing the Legation at Asunción as follows:[66]

"If note has not yet been delivered, please informally express the hope that Paraguayan Government will take a conciliatory attitude and will do nothing to disrupt relations with Bolivia. Now that the neutrals are renewing the offer of good offices, it is very important that nothing should be done to disturb the situation."

Please also informally endeavor to prevent a rupture of relations. You might suggest as your own opinion to the Bolivian authorities that this is a matter which might appropriately be referred to the neutral representatives in Washington. Report developments.

STIMSON

724.3415/1232 : Telegram

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

ASUNCIÓN, June 24, 1931—11 a. m.
[Received 3:25 p. m.]

61. My 60, June 23, 11 a. m.[67] Reply of Paraguayan Government dated yesterday and delivered to Bolivian Minister this morning expresses regret that Bolivia's request for discrediting Ynsfran should have been coupled by threat to suspend diplomatic relations. Paraguayan note considers incident complained of as of slight consequence and refuses to comply with Bolivia's request. I am told text of both Bolivian and Paraguayan notes will be published in today's papers.

HORN

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[65] Telegram No. 60, June 23, 11 a. m.; not printed.
[66] Telegram No. 21, June 24, 1 p. m.
[67] See footnote 65, *supra*.

724.3415/1234 : Telegram

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

RIO DE JANEIRO, June 24, 1931—4 p. m.
[Received 4:03 p. m.]

39. Department's telegram 41, June 23, 1 p. m. Communicated the substance of said telegram to Foreign Minister today, will instruct Brazilian Ambassador, Washington, to confer with you. Minister is prepared to support fully notes to Bolivia and Paraguay referred to in telegram No. 41.

Foreign Minister has learned that important Bolivian military officers are being sent to Chaco and that one of them who had been assigned to assist in demarcation of Brazilian-Bolivian frontier has been detailed to superintend military operations in that region, also that Argentina has suggested that Bolivia accept a military mission similar to the Argentine military mission in Paraguay, but Chile objects on the score that such missions should not be obtained from countries which are neighbors.

MORGAN

724.3415/1230 : Telegram

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

WASHINGTON, June 24, 1931—6 p. m.

45. Your 38, June 23, 2 p. m. Bolivia has formally and categorically refused to consider the question of double arbitration. The Department does not consider it advisable to make such a proposal as it would most surely be rejected and would very likely prevent a serious discussion by Bolivia of the settlement of the Chaco dispute.

STIMSON

724.3415/1239 : Telegram

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

[Paraphrase]

LA PAZ, June 25, 1931—4 p. m.
[Received 10:37 p. m.[68]]

59. With reference to Department's 24, June 24, 1 p. m., I have to report that I have just had an interview with the Foreign Minister, in which he said that he was drafting a reply to the Paraguayan note refusing satisfaction, and that the reply would probably be delivered tomorrow. I was unable to learn any details concerning the reply

[68] Telegram in three sections.

but was promised a copy later today, at which time I will send another telegram. The Minister read to me the Bolivian note which asked for a repudiation of Ynsfran's remarks and stated that if the same were not forthcoming the Government of Bolivia could only believe that the Government of Paraguay approved them, and consequently would be obliged to suspend diplomatic relations. The Minister insisted that the note contained no threat but simply a warning, and that Bolivia did not have the slightest desire to break diplomatic relations but was compelled to protect its national honor.

[I?] then made a personal suggestion that with the renewal of the offer of the neutral nations the present difficulty perhaps could be settled through those channels. The Minister said that the Papal Nuncio had already tendered his good offices to that end and that it would be appropriate to consider the advisability of having recourse to the neutral nations only in case the impasse continued and his efforts failed. . . .

It is reported that there is a distinct cleavage in high Government circles, one group being aggressive and the other conciliatory, so, unless the aggressive group takes control of the situation, it is likely that the Bolivian reply, which is scheduled to be delivered tomorrow, may be of a nature to render it possible for Paraguay to give satisfaction for the Ynsfran statements. Public opinion is indifferent and there are no demonstrations. Except for *La Nacion* and *La Republica* this morning's press did not comment editorially. Yesterday *El Diario* criticized the Government's policy. *La Nacion*, which is close to the Foreign Office, stated that it [thought?] the Government of Bolivia had no other recourse but to withdraw its Minister from Paraguay. Should that be the case it is believed that a Chargé will be left so as to prevent a rupture of diplomatic relations.

TRUEBLOOD

724.3415/1239a : Telegram

The Acting Secretary of State to the Chargé in Bolivia (Trueblood)

WASHINGTON, June 26, 1931—1 p. m.

25. Press reports today indicate that Bolivia will break off diplomatic relations with Paraguay unless a denial is made of the recent statement by Paraguayan Chargé in Washington. Please cable at once the situation. The Department and the representatives here of the neutral Governments supposed the situation to be entirely changed now that neutrals' note has been presented. Breaking off diplomatic relations now when there is possibility for a free and friendly discussion of the whole matter would be a most serious setback in the cause of peace in South America, and the Department desires

you to discuss the matter fully with the Minister for Foreign Affairs and to report the situation fully to it. Department will be glad to have you use your influence in a discreet manner in order to maintain the present situation unchanged.

CASTLE

724.3415/1238 : Telegram

The Acting Secretary of State to the Chargé in Paraguay (Horn)

WASHINGTON, June 26, 1931—2 p. m.

22. Your 62, June 25, 3 p. m.[69] Cable text of Bolivian and Paraguayan notes. This matter has been discussed with the neutral representatives in Washington who deplore as does this Government making this matter an incident of such importance that it may threaten suspension of diplomatic relations between Bolivia and Paraguay. Paraguay has been endeavoring to have the Chaco matter discussed with Bolivia in Washington and now that the neutral governments have again taken the matter up and have paved a way for this it would seem to be exceedingly shortsighted to do anything which might prevent the carrying out of the good offices. Please discuss the matter with the Minister for Foreign Affairs and counsel moderation and point out the advantages of adopting a conciliatory attitude so that the negotiations can proceed. Keep the Department fully informed by cable.

CASTLE

724.3415/1240 : Telegram

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

LA PAZ, June 26, 1931—7 p. m.
[Received 10:42 p. m.]

60. Referring to the Department's telegram number 25,[70] I have just seen the Minister for Foreign Affairs who advised me that the Bolivian reply to the Paraguayan note refusing to give satisfaction for the Ynsfran declarations was sent last night to be delivered this morning in Asunción. The Bolivian Minister and staff there have instructions to leave the city if a satisfactory reply is not forthcoming within 48 hours. The note, he stated, cleared up the point that no threat was intended and insisted upon satisfaction for the Ynsfran declarations.

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[69] Not printed.
[70] *Ante*, p. 733.

The Paraguayan Minister here who interviewed the Minister for Foreign Affairs this afternoon and was read the note considered it "conveniente" and he is cabling his Government tonight that there is good will here to settle the matter. He considers the tone of the reply not entirely satisfactory but believes that it offers a possibility of keeping the discussion open until the incident can be settled peacefully.

The Minister for Foreign Affairs also said flatly that if Bolivia should now be obliged to withdraw its Minister it would not be its fault, reiterated peaceful intentions of his Government and desire not to disturb the peace and harmony of the continent, and assured me that there had been no mobilization at all, with garrisons ordered not to leave their posts. He also said that he had received reports that Paraguay was sending reinforcements into the Chaco.

He further stated that the neutral note could not be considered until the present incident is settled.

In view of the danger of a rupture of diplomatic relations if the Paraguayan reply is not forthcoming by apparently Sunday morning it would seem advisable to bring all consistent pressure to bear in Asunción in order that the Paraguayan Government if it cannot give satisfaction will at least reply in a manner which will keep the discussion open and pave the way for a peaceful settlement since there is nothing that can be done here for the moment.

TRUEBLOOD

724.3415/1243 : Telegram

The Chargé in Paraguay (Horn) to the Acting Secretary of State

ASUNCIÓN, June 27, 1931—noon.
[Received 10:55 p. m.]

65. Department's 22, June 26, 2 p. m., was delivered this morning. Text of Bolivian and Paraguayan notes was sent by separate cable 63 [*64*] at 10 a. m.[71]

I have just returned from an interview with the Minister for Foreign Affairs, who, although appreciative of the interest of our Government and of the other neutrals, was firm in replying that the Paraguayan Government chooses to let matters rest with the sending of its note of reply of June 23rd. His conviction is that any overture towards conciliation should be initiated by Bolivia. So consistent was the Minister for Foreign Affairs in rejecting any suggestion towards adopting a conciliatory spirit that I am confident, as matters now stand, any further counsel of the United States or of the neutral governments would prove futile and might even be resented as indicating a lack of appreciation Paraguay's national dignity. The Min-

[71] Not printed.

ister for Foreign Affairs informed me that Bolivia's instruction to its Legation at Asunción regarding contents of its note to Paraguay, was sent without being ciphered, and that this was a cause of added humiliation and resentment.

I believe the greatest danger at this stage of events lies in the ever present possibility of a clash between troops in the Chaco. I expressed the hope that Paraguay would do everything possible to avoid such an eventuality. The Minister for Foreign Affairs assured me that that is his Government's intention.

[File copy not signed]

724.3415/1242 : Telegram

The Chargé in Bolivia (Trueblood) to the Acting Secretary of State

[Paraphrase]

LA PAZ, June 27, 1931—4 p. m.
[Received 10:44 p. m.]

61. My 59, June 25, 4 p. m. I have ascertained that the Papal Nuncio was [not?] consulted with regard to the Bolivian reply reported in my 60, June 26, 7 p. m., or in any other important respects . . .

With the exception of *La Razon*, which is regarded as the administration mouthpiece, the local press made no comment on the situation. *La Razon* stated that Paraguay did not have the slightest intention of settling anything, that the solution will not be produced by Paraguay, that Bolivia's patience is exhausted, its optimism gone, and that "we know that there is only one method, which sooner or later must decide." The Paraguayan Minister told me that he was not going to report this by telegraph, in order not to prejudice the present delicate situation.

. . . . . .

Last night I learned . . . that orders had been received at the military aviation school at La Paz to prepare planes to go to the Chaco in case of necessity and that everything is in a state of readiness. . . . I also learned that there is considerable pessimism in military circles as to an amicable settlement of the present difficulty.

TRUEBLOOD

724.3415/1262

Memorandum by the Assistant Secretary of State (White) of a Conversation With the Paraguayan Chargé (Ynsfran)

[WASHINGTON,] June 27, 1931.

Señor Ynsfran called to say that he had received a cable from his Government to the effect that the American Chargé d'Affaires in Asunción had expressed the concern of this Government regarding

the possibility of a breaking off of diplomatic relations between Bolivia and Paraguay and had expressed this Government's hope that Paraguay would take a conciliatory attitude by making a reply that would give satisfaction to Bolivia. The Chargé said that he was instructed by his Government, in reply, to say that the Paraguayan Government regretted that it could not do so.

I told the Chargé that I was very sorry to learn of this attitude on the part of his Government, which made any action on our part extremely difficult, and that in view thereof I would not send a telegram which I had prepared to the Legation concerning this matter.

I then reviewed the situation again with Mr. Ynsfran and told him that it seemed to me that his Government would now have to make a choice between one of two things: Did it want to assume a position of intransigence toward this particular matter on the grounds of *amour propre* and hope in that way to maintain national dignity, or did it consider of more vital importance to Paraguay the possibility of a settlement of the Chaco matter? An uncompromising attitude in the present matter would undoubtedly bring about a break in diplomatic relations and much bitterness between the two countries, which would postpone for considerable time any possibility of settling the fundamental question. Paraguay has all along been insisting that Bolivia discuss the matter in Washington, and now when the road seemed to be open for this I was at a loss to understand why Paraguay would take an attitude which would make what she has so long desired impossible. The Chargé said that he agreed fully but did not see any way out. I told him that his Government might reply in a friendly way to the Bolivian note saying that Paraguay still maintained the friendliest feelings toward Bolivia and would suggest that the best way out of their difficulties would be for both to accept the neutral offer for a discussion of the Chaco matter in Washington, and that, should Bolivia so desire, this minor side issue might also be presented to the diplomats of the neutral countries in Washington for their suggestions as an equitable way out. The Chargé said that he agreed fully and would take the matter up with his Government by cable at once in this sense.

F[RANCIS] W[HITE]

724.3415/1248 : Telegram

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

RIO DE JANEIRO, June 29—4 p. m.
[Received June 29—3:15 p. m.]

42. Brazilian Minister for Foreign Affairs continues to be seriously concerned with the Bolivian-Paraguayan situation. Commander of

Brazilian flotilla on Paraná River has reported that the river frontier between Bolivia and Paraguay has been closed. Minister will be glad to deliver any warning or statement which with the support of the American Government he may communicate to Bolivian and Paraguayan Ministers stationed at Rio de Janeiro.

MORGAN

724.3415/1247 : Telegram

The Chargé in Bolivia (Trueblood) to the Acting Secretary of State

LA PAZ, June 29, 1931—7 p. m.
[Received 8:40 p. m.]

63. I am reliably informed that the second Bolivian note has not yet been presented but that it will be tomorrow. It is rumored that the delay was due to Guachalla [72] having been advised by a diplomatic officer of one of the neutral governments in Asunción that the Paraguayan Government would not reply to it yet. The former is understood to have advised the Bolivian Foreign Office that the Paraguayan attitude was reasonable and conciliatory.

In view of the notice that his Government considers the incident closed, the interpretation of which is still doubtful, the Paraguayan Minister has officially thanked the Nuncio for his offer of mediation.

The Argentine Minister saw the President yesterday and the Minister for Foreign Affairs today, which would seem to confirm the rumor that he has special instructions.

It would be appreciated if the Department would advise briefly situation in Asunción.[73]

TRUEBLOOD

724.3415/1248 : Telegram

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

WASHINGTON, June 30, 1931—5 p. m.

49. Your 42, June 29, 4 p. m. This Government and the neutral Governments are counseling moderation on the part of both Bolivia and Paraguay and expressing the hope that diplomatic relations will not be broken and that this incident will be settled and will not be permitted to develop in such a way as to endanger the holding of the conference suggested in the neutral Governments' notes of June 25 [74] for a settlement of the vital Chaco question. Any support in this sense by the Brazilian Government will be most welcome.

CASTLE

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[72] Bolivian Minister in Paraguay.
[73] The Department replied by telegram No. 26, June 30, 3 p. m.; not printed.
[74] See telegrams of June 22, 7 p. m., to the Chargé in Bolivia (No. 23) and the Chargé in Paraguay (No. 20), pp. 725 and 727.

724.3415/1250a : Telegram

The Acting Secretary of State to the Chargé in Bolivia (Trueblood)

WASHINGTON, June 30, 1931—5 p. m.

27. The Secretary of Bolivian Legation just called at Department on behalf of the Minister to say that instructions have been sent to the Bolivian Minister in Asunción to leave. Apparently the second Bolivian note is not to be delivered. The Department felt that the matter was pretty well worked out so that the Paraguayan reply to the second Bolivian note would be conciliatory and offer a satisfactory solution. This makes it impossible. Please find out whether instructions have been sent and whether it would not be possible to hold them up or send immediately other instructions to the Minister not to act as yet. The neutral note has not been answered nor has the Bolivian Government offered any suggestion to any of the neutrals as to how they could be helpful in straightening out this matter. If Bolivia will withhold action and discuss the matter frankly with you and other neutrals it seems certain that a satisfactory adjustment can be arrived at. Report by cable.

CASTLE

724.3415/1250 : Telegram

The Chargé in Bolivia (Trueblood) to the Acting Secretary of State

LA PAZ, June 30, 1931—10 p. m.
[Received 11 : 44 p. m.]

64. Department's telegram No. 27.[75] I have just seen the Minister for Foreign Affairs who was receptive to the idea of conversations with the neutral representatives here but stated that he would have to see the President tomorrow morning at 9 o'clock to give a definite answer which he will communicate to me at once. He stated that the second Bolivian note had been delivered yesterday noon and that Guachalla would not leave until 7 o'clock Thursday morning so there is still time for action. He urged that Paraguay be sounded out on the same lines and be persuaded to accept efforts of neutrals as it will place Bolivia in a difficult position if it does not receive them favorably.

I urge that I and the other neutral representatives here be given definite instructions to go ahead so as to make it a collective and effective action.

TRUEBLOOD

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[75] *Supra.*

724.3415/1250 : Telegram

The Acting Secretary of State to the Chargé in Paraguay (Horn)

WASHINGTON, July 1, 1931—noon.

23. The Department was advised yesterday afternoon that the Bolivian Government had sent instructions to Bolivian Minister in Asunción to leave. As neither Bolivia or Paraguay have offered any suggestion to any of the neutrals as to how they can be helpful in straightening out this matter, the Legation at La Paz was immediately instructed to see whether Bolivia would withhold action and discuss the matter frankly with the American Chargé and other neutrals to see if a satisfactory adjustment can be arrived at.

The Department is now advised that the Minister for Foreign Affairs was receptive to the idea and said that he would see President Salamanca this morning and then give a definite answer. He stated that second Bolivian note had been delivered yesterday afternoon and that Bolivian Minister would not leave until 7 o'clock Thursday morning. He urged that Paraguay be sounded out along the same lines and be persuaded to accept the efforts of the neutrals.

Please immediately inquire of Minister for Foreign Affairs whether Paraguay would accept efforts of the neutrals to find a solution in order that the matter may immediately be taken up with La Paz. Also inquire what are Paraguay's views regarding a suitable settlement of this incident.

Cable answer urgently and cable copy to Legation at La Paz.

CASTLE

724.3415/1250 : Telegram

The Acting Secretary of State to the Chargé in Bolivia (Trueblood)

WASHINGTON, July 1, 1931—noon.

28. Your 64, June 30, 10 p. m. The Department is taking the matter up with Paraguay as the Minister for Foreign Affairs suggested. As all the neutrals are not represented in La Paz and Asunción it seems better that you and your neutral colleagues informally and without any definite instructions discuss the matter with the Bolivian Government, finding out the Bolivian Government's position and reporting it here so that we will know better what action should be taken in Asunción. The only thing that can be suggested now is that Paraguay accept in principle mediation by the neutrals but in order that that mediation be effective it is necessary to have some idea of the Bolivian Government's views regarding a settlement. If you can discuss that quite fully with Minister for Foreign Affairs and cable his views up, Department will endeavor to find out from Asunción what the views of the Para-

guayan Government are so that the neutrals can then perhaps make some suggestion for a way out.

CASTLE

724.3415/1252 : Telegram

The Chargé in Bolivia (Trueblood) to the Acting Secretary of State

LA PAZ, July 1, 1931—3 p. m.
[Received 7:20 p. m.[76]]

65. The Minister of Foreign Affairs just advised me that Bolivia had no other alternative but to withdraw its Minister and staff from Asunción which would be done tomorrow morning in view of Paraguay's inflexible and uncompromising attitude. He also said that the Bolivian Government had decided to accept the arbitration proposed by the Argentine Government since it contained a concrete formula for solution of the difficulty.

I inquired if the Argentine proposal contemplated any effort to induce the countries to delay rupture of diplomatic relations and he replied in the negative, reiterating that it was inconsistent with Bolivia's honor to allow Guachalla to stay longer in Asunción. He stated that the latter would probably go to Buenos Aires and await the outcome of the Argentine arbitration and return to his post later if the incident was solved satisfactorily.

He did not volunteer any information regarding the concrete proposition made by Argentina nor did I inquire. He did state, however, that the neutral note of June 6 [*25*] would be answered provisionally within a few days to the effect that until the situation returns to normal a definite reply cannot be given.

The discussion to accept the Argentine proposal was apparently made in an extraordinary session of the President, Cabinet and notables held this morning and came as a complete surprise after my conversation with the Minister of Foreign Affairs last night and inconsistent with press comment this morning which saw in the efforts of the neutrals the only possibility of settling the matter.

TRUEBLOOD

724.3415/1261 : Telegram

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

[Paraphrase]

BUENOS AIRES, July 1, 1931—11 p. m.
[Received July 2—3:32 a. m.]

74. American Chargé in Bolivia in telegram dated July 1 states that Bolivia had resolved to break off diplomatic relations with Paraguay, and to accept the Argentine offer of arbitration.

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[76] Telegram in three sections.

This evening the Under Secretary for Foreign Affairs informed me that Argentina had not offered arbitration, and he added very confidentially that he doubted if Argentina would consent to arbitrate if invited, because of Argentina's proximity to the disputed territory, and also because he thought that the friendly American nations to whom the question had previously been submitted should continue to function.

BLISS

724.3415/1263 : Telegram

The Chargé in Bolivia (Trueblood) to the Acting Secretary of State

LA PAZ, July 2, 1931—noon.
[Received 1:55 p. m.]

69. The Minister for Foreign Affairs informed me this morning at 12 that the situation was unchanged, with Bolivia still waiting for the Paraguayan reply. Other officials of the Foreign Office stated as their motive that the Bolivian Minister at Asunción would have to leave. The Paraguayan Minister has had no advices from his Government.

La Razon this morning praised Bolivia's acceptance in principle of the Argentine proposal which it stated depended on the Paraguayan answer. The Argentine Minister conferred again this morning with the Minister for Foreign Affairs.

The Brazilian Chargé d'Affaires is visiting the Minister for Foreign Affairs this afternoon to express his Government's hope that a break can be avoided. He feels, however, that it is now up to Paraguay since Bolivia has shown its desire to settle the matter amiably by its second note as well as by not retiring its Minister earlier.

TRUEBLOOD

724.3415/1264 : Telegram

The Chargé in Paraguay (Horn) to the Acting Secretary of State

ASUNCIÓN, July 2, 1931—3 p. m.
[Received 5:35 p. m.]

67. Department's 23, July 1, noon. Minister for Foreign Affairs could not grant me interview until 2 p. m. today. He told me Paraguay considers the incident as closed with the notes of the Chancellery to the Bolivian Legation. He added that the recourse to good offices is entirely disproportionate to the incident which his Government considers as banal.

Bolivian Minister is still in Asunción.

Foregoing has been cabled to American Legation at La Paz.

Text of last Bolivian and Paraguayan notes will be cabled as soon as available which will probably be tomorrow morning.

HORN

724.3415/1265 : Telegram

The Chargé in Bolivia (Trueblood) to the Acting Secretary of State

LA PAZ, July 2, 1931—9 p. m.
[Received 10:45 p. m.]

70. Paraguayan reply to second Bolivian note received and considered cordial but unsatisfactory, hence instructions sent last night to the Bolivian Minister at Asunción to leave at once in that event are effective. Argentine offer of mediation was withdrawn this afternoon.

Repeated to Buenos Aires and Santiago.

TRUEBLOOD

724.3415/1270 : Telegram

The Chargé in Paraguay (Horn) to the Acting Secretary of State

ASUNCIÓN, July 3, 1931—1 p. m.
[Received 6 p. m.]

69. Department's 24, July 2, 6 p. m.[77] Text of Bolivian note of June 29th and Paraguayan reply of July 1st cabled at 9 a. m.[78]

For the confidential information of the Department, the Minister for Foreign Affairs was willing to tell me this morning that during the course of the recent incident, the Argentine Minister approached him informally and confidentially, making it clear that mediation was not being offered and that there was no desire to interfere with or prejudice the good offices of the five neutral powers, but repeating a suggestion made in 1928. It was to the effect that in order that danger of a clash of troops might be avoided and that the direct negotiations suggested by the neutrals might take place in a spirit of greater calm, a friendly neutral might be named by the contending governments to have authority to preserve the *status quo* by policing strategic districts of Chaco. It was not suggested that Argentina be the government so chosen. The Minister for Foreign Affairs gave me to understand that Paraguay's reaction to this suggestion had taken no definite form.

The Bolivian Minister is still in Asunción.

HORN

724.3415/1267 : Telegram

The Chargé in Bolivia (Trueblood) to the Acting Secretary of State

LA PAZ, July 3, 1931—4 p. m.
[Received 4:40 p. m.]

71. The Bolivian Minister in Asunción was given definite instructions on Wednesday night to leave at once if Paraguayan reply was

[77] Not printed.
[78] In telegram No. 68, July 3, 9 a. m.; not printed.

unsatisfactory and the reply has been so considered here. The Bolivian Foreign Minister stated last night that the Minister would have to leave today if it were on foot but the Foreign Office has at this date received no advices of his departure nor has the Paraguayan Minister here received instructions.

TRUEBLOOD

724.3415/1268 : Telegram

The Chargé in Bolivia (Trueblood) to the Acting Secretary of State

LA PAZ, July 3, 1931—10 p. m.
[Received 11 : 30 p. m.]

72. The departure of the Bolivian Minister at Asunción for Buenos Aires is scheduled for Sunday since he is unable to make travel connections until then. The Minister for Foreign Affairs stated that his departure is irrevocable. Argentine activity is continuing despite withdrawal of offer announced definitely last night. I am informed regarding the Uruguayan proposal for a military *status quo* and international policing of the Chaco.

Repeated to Buenos Aires and Santiago.

TRUEBLOOD

724.3415/1272 : Telegram

The Chargé in Paraguay (Horn) to the Acting Secretary of State

ASUNCIÓN, July 5, 1931—10 a. m.
[Received July 6—12 : 32 a. m.]

70. Bolivian Minister and Secretary of Legation left Asunción this morning.

HORN

724.3415/1271 : Telegram

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

[Paraphrase]

BUENOS AIRES, July 5, 1931—9 p. m.
[Received July 6—12 : 30 a. m.]

76. Yesterday afternoon at the Embassy reception the President informed me that Argentina had offered to Bolivia and Paraguay the despatch of a commission to the Chaco to prevent possible conflicts between the armed forces of those countries but that neither country had yet accepted. Although the President stated that Argentina had not offered to arbitrate the fundamental question in dispute, yet it

was quite evident that he would accept an invitation to arbitrate if offered by both Bolivia and Paraguay. It was my impression that the President would even offer to act as arbitrator if he thought it possible to arrive at an acceptable solution.

BLISS

724.3415/1277 : Telegram

The Chargé in Bolivia (Trueblood) to the Acting Secretary of State

[Paraphrase]

LA PAZ, July 6, 1931—9 p. m.
[Received 11:25 p. m.]

73. The Paraguayan Minister in Bolivia has received instructions that his mission has been terminated and that he is to proceed to Arica. He will depart on Thursday, July 9, and will probably go to Lima where I understand he is to be the Minister. He is trying to induce his Government to rescind the instructions terminating his mission to Bolivia, thereby permitting him to remain nominally accredited to Bolivia while serving in Peru.

I understand that four military airplanes have already departed for the Chaco and that within a few days others will follow. It is reported that three regiments have been mobilized. In order to avoid seizure of new trucks to be used for mobilization of troops in Potosí the General Motors agent at that place had to complain to the Ministry of War through American representative here. The agent was advised that the orders of the Ministry of War were to requisition only used trucks and to pay for any use made of them.

TRUEBLOOD

724.3415/1279 : Telegram

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

BUENOS AIRES, July 7, 1931—5 p. m.
[Received 5:30 p. m.]

78. Referring to my telegram 77, July 6, 10 p. m.,[79] Under Secretary for Foreign Affairs told me today that Bolivia has accepted in principle the Argentine suggestion for bringing about immediate renewal of diplomatic relations between that country and Paraguay. He expressed hope that the Argentine good offices would succeed but considered the situation uncertain. He supposed that a decision for or against would be reached within the next 3 days.

BLISS

[79] Not printed.

724.3415/1282b : Telegram

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

WASHINGTON, July 10, 1931—4 p. m.

32. Department's 27, June 30, 5 p. m. The Department is still without any information concerning Bolivian Government's views as to how it can be helpful in straightening out the matter. Please endeavor to obtain discreetly Bolivian Government's views as to a satisfactory settlement of the matter with a view to reestablishing diplomatic relations. A similar inquiry is being made at Asunción in order to see if there is anything the neutrals can do to be helpful in this matter.

CASTLE

724.3415/1282a : Telegram

The Acting Secretary of State to the Chargé in Paraguay (Horn)

WASHINGTON, July 10, 1931—4 p. m.

26. Department's 23, July 1, noon, instructing you to inquire what are Paraguay's views regarding a suitable settlement of the incident. Now that Bolivian and Paraguayan Ministers have been withdrawn from Asunción and La Paz, please endeavor discreetly to obtain the views of Paraguayan Government as to how it feels the matter can be straightened out and relations resumed. A similar inquiry is being made at La Paz in order to see if there is anything the neutrals can do to bring about the reestablishment of diplomatic relations.

CASTLE

724.3415/1282 : Telegram

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

LA PAZ, July 11, 1931—11 a. m.
[Received 12:47 p. m.]

78. In response to my inquiry as to the status of the Argentine offer of good offices looking toward an amicable settlement of the Ynsfran incident and the resumption of relations, the Minister for Foreign Affairs last evening informed me that informal conversations were in progress with Argentine Minister here, and that he would inform me as soon as a decision is reached. Similar inquiries were made by other Latin American missions. I also inquired when a reply to the neutral Governments' note of June 25th might be expected and he said it would probably be forthcoming next week but it is my opinion that it will be further delayed. [Paraphrase.] An Indian guide to a Paraguayan patrol near Fortin Saavedra was

shot July 1 by a Bolivian sentry. No publicity, however, has been given in La Paz to the incident. [End paraphrase.] The Bolivian Army is evidently being put in readiness to defend its position, but the Chief of the General Staff yesterday informed me that he did not contemplate serious incidents and that strict orders had been given to avoid clashes. Paraguayan Minister left here for Lima, taking archives, on July 9th with instructions to await developments there. Bolivian Minister Guachalla is in Buenos Aires.

FEELY

724.3415/1286 : Telegram

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

LA PAZ, July 13, 1931—11 a. m.
[Received 11:25 a. m.]

79. Department's telegram No. 32, July 10, 4 p. m. Press reports unofficially acceptance in principle by Bolivia of Argentine offer of mediation for amicable settlement of recent incident and renewal of relations. Bolivian Government has shown no disposition to inform neutral or other representatives here as to terms of Argentine offer or as to Bolivia's attitude toward a settlement. Press despatches from Asunción report acceptance of Argentine offer by Paraguay. I am informed by reliable sources that at the meeting held on July 1st and referred to in Legation's telegram No. 65 [80] a proposal was made to request the mediation of the neutral governments in the settlement of the Ynsfran incident, but that it was defeated. Under these circumstances I have thought it inadvisable to take any further step without instructions. Other neutral representatives here seem to be entirely without information or instructions from their governments.

Another clash between Paraguayan and Bolivian patrols took place on July 11th with no casualties.

FEELY

724.3415/1293

Memorandum by the Acting Secretary of State of a Conversation With the Brazilian Ambassador (Lima e Silva)

[WASHINGTON,] July 18, 1931.

The Brazilian Ambassador came in to say that he had had an urgent telegram from his Government saying that Brazil felt the situation between Paraguay and Bolivia as to the boundary was very critical. In fact, the Brazilian Government believes the danger to be acute and that any actual clash between the two countries might spread in South

[80] *Ante*, p. 741.

America, largely because of the bad economic situation. The Brazilian Government, therefore, urged most strongly that the American Government should immediately offer to arbitrate in Washington the boundary between Paraguay and Bolivia. The Brazilian Government would urge the two countries to accept this arbitration.

I told the Ambassador that we were fully alive to the serious situation, that efforts had already been made toward getting Bolivia and Paraguay to agree that the neutrals should immediately get busy on this question, but that the situation had been held up momentarily by the Ynsfran incident. The Ambassador interrupted to say that he understood the Argentine Government had now brought about a peaceful solution in that case. I said that we had the same understanding. He seemed disappointed that we felt it necessary to have the neutrals take up the boundary case as he thought the United States could do it more expeditiously alone. I told him I thought we had gone too far along that line to suggest any change now, but that he could report to his Government that we were alive to the situation and would push the matter as rapidly as possible.

W[ILLIAM] R. C[ASTLE, JR.]

724.3415/1298 : Telegram

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

LA PAZ, July 25, 1931—1 p. m.
[Received 6 p. m.]

84. The following note was received today at 10:15 a. m. from the Foreign Office:

"My Government has noted with deferential interest your courteous communication in which the governments of the neutral countries which intervened in the settlement of the incident provoked by Paraguayan aggression in December 1928, have reiterated their offer of good offices to participate in an amicable settlement of the Chaco question. Your Excellency's note of June 25, 1931, after making a summary of the antecedents of these negotiations, terminates in substance by inquiring 'if the Bolivian Government would be disposed to authorize its diplomatic representative in Washington to enter into negotiations regarding the settlement of the outstanding territorial and frontier difficulties in the Chaco'.

The Bolivian Government reiterates its profound thanks to Your Excellency's Government for the noble efforts it has been putting forth in support of a pacific solution of the question and confirms its conditional acceptance of the good offices proffered by the Governments of the United States, Cuba, Colombia, Mexico and Uruguay, as contained in its notes of November 13th, 1929, and February 25th, 1930.

In ratifying its invariable adherence to juridical principles, in the solution of international conflicts, it declares at the same time, that it will spare no effort to arrive at a just settlement which shall put an end to the territorial controversy in which it is involved with Paraguay.

The experience derived from the Buenos Aires Conference, which was undertaken as the result of the good offices of the Argentine Government, and in which Paraguay diverted the purpose contemplated by the protocol that originated the good offices, has demonstrated the futility of persisting in negotiations that are without a definite basis which shall be capable of serving as a foundation for diplomatic discussion. My Government believes that having previously proposed the initiation of direct conversations in La Paz or in Asunción looking toward a more exact definition of the basic question, or in case of need toward the formulation of prior bases which would necessarily be established opportunely by the interested parties for the purpose of arriving at such a definition, there would be no object in carrying on conversations in another place where the same difficulties would surely repeat themselves as were met with in the Buenos Aires Conference and in the Conference of Inquiry and Conciliation in Washington, in both of which it was found impossible to reach any agreement in spite [of] the good will of the mediators.

The Bolivian Government in consonance with its established criterion as to the best method of solving or directing the course of the territorial dispute, as already expressed on former occasions and reiterated in the [*this*] note, is pleased to state that if those negotiations should not have the desired result, the moment would then have arrived to have recourse to the good offices proffered by [the] neutral governments.

In that event the Bolivian Government considers it advisable to reiterate the most essential of the declarations made in its said note of November 13th, 1929, in the sense that it does not find itself disposed to accept arbitration involving an indeterminate parcel of the national territory, nor to submit to a prior arbitration of [*prior arbitrage*] the determination of the territory that is to be the subject of arbitration, obliged as both countries are to respect the provisions of the protocol of April 22, 1927.

When the opportunity shall have arrived to give course to the good offices, my Government understands that an agreement must be made in which shall be established the norms and extent of this procedure, because any indeterminate action would be inefficacious, as has been the case on other occasions.

Before concluding, I take pleasure in informing Your Excellency that my Government in accordance with its invariably pacific attitude would be disposed to study immediately a pact of nonaggression in the Chaco, of such a nature as to guarantee internal [*international*] peace and tranquility, with the purpose of entering into negotiations that would carry the territorial controversy to an equitable and definite [*definitive*] ending under the auspices of a procedure propitious to a pacific settlement."

I am handing copies of this note to the representatives of the neutral governments here.

FEELY

724.3415/1313

Memorandum by the Assistant Secretary of State (White)

[WASHINGTON,] July 28, 1931.

The Argentine Ambassador, Mr. Espil, called and showed me a long instruction from his Government regarding the Chaco matter, outlining the action they had taken starting June 22 and culminating July 7 with the suggestion that a neutral commission go to the Chaco to supervise matters and preserve order. This, the instruction stated, was accepted by Bolivia but on the condition that the diplomatic incident in Washington be satisfactorily adjusted first.

Subsequently Argentina suggested to both countries that a solution might be found by declaring that the statements made by the diplomatic representatives of the two countries in Washington were unintentional; that they did not constitute any taint to the honor of the two countries, and that they therefore consider both statements as having been withdrawn and not made. Bolivia immediately declined this on the ground that it was really sustaining Paraguay's position and said that the way the matter could be settled would be by a suggestion from Argentina to both countries to the effect that Ynsfran's statement had gone beyond the usual scope of diplomatic utterances and hence was blamable, but that in the interest of harmony between the two countries this matter should be overlooked and diplomatic relations resumed. Argentina replied declining to do so, stating that they were not in the position of judge and could not say as to who was right or wrong, and furthermore they thought this would not be accepted by Paraguay. The Argentine Minister in La Paz and the Argentine Foreign Office, the instruction stated, felt that Bolivia was inclined to prolong the matter and drag it out, and they did not think anything could be done at this time. The instruction made it clear that Argentina was not trying to enter into a solution of the fundamental question, which should be handled by the neutral Commission in Washington, but that the Argentine Government did feel that the situation is delicate and that the neutrals should take some positive action.

I told Mr. Espil what we had done. I then read him the Bolivian note received on July 25 and told him that I had sent a copy of it to my neutral colleagues and that I had drafted a reply to Bolivia and a note to Paraguay, which I was submitting to the neutrals also, suggesting that we hold a meeting on Thursday to consider the matter. In reading over the note I thought that there should be an addition about maintaining peace in the Chaco while the pact of nonaggression was under negotiation. I told Mr. Espil what I had in mind and he concurred in the note with that addition; said he thought it was the only thing to be done and that we should not lose any time in doing it. I

told him that in such matters I always cabled the text down to our Missions in the neutral countries so that we could get prompt action. He thought that was the only thing that could be done and the proper thing to be done. In view of his instructions to explain the Argentine point of view to the neutral Commission, he said that he would go around and see the Mexican Ambassador, the Colombian and Uruguayan Ministers, and the Cuban Chargé d'Affaires. I told him I thought that would be very helpful and that I was very pleased at this exposition of Argentina's attitude in the matter.

F[RANCIS] W[HITE]

724.3415/1305a : Telegram

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

WASHINGTON, July 30, 1931—7 p. m.

40. The representatives of the neutral Governments in Washington today agreed to recommend to their Governments the sending to Bolivia of the following note. Do not deliver the note or make any mention regarding it until further instructed by the Department. As soon as the neutral Governments agree regarding this text you will be advised of the date on which it should be presented to the Bolivian Government. The note is as follows:

"The neutral Governments have studied with care the note received on July 25 from the Bolivian Government in reply to their note of June 25. They have noted with the greatest pleasure the statement that the Bolivian Government would be disposed to study immediately a pact of non-aggression in the Chaco, of such a nature as to guarantee peace and tranquillity, with the purpose of entering into negotiations that would carry the territorial controversy to an equitable and final ending under the auspices of a procedure propitious to a pacific settlement.

The neutral Governments have felt that they could recommend this suggestion to the Paraguayan Government, which they have done today.

In expressing their gratification at this constructive suggestion received from the Bolivian Government, the neutral Governments have the honor to inquire whether the Bolivian Government will be disposed to authorize its diplomatic representative in Washington, or else to send a duly accredited representative for the purpose, to study and draw up a pact of non-aggression in the Chaco in order to maintain peace and tranquillity there until negotiations can be entered into which will carry the territorial controversy to an equitable and final ending.

The neutral Governments furthermore suggest that it would be most suitable and helpful if both Governments would declare their intention not to send more troops into the Chaco, to withdraw the troops already there, and to give strict and explicit orders that there shall be no friction or disturbance of any sort whatsoever pending the negotiation

of the pact of non-aggression. The neutral Governments will be glad to receive such a declaration from the Bolivian Government. A similar suggestion has been made today to the Paraguayan Government."

CASTLE

724.3415/1305b : Telegram

The Acting Secretary of State to the Chargé in Paraguay (Horn)

WASHINGTON, July 30, 1931—7 p. m.

29. The representatives of the neutral Governments in Washington today agreed to recommend to their Governments the sending to Paraguay of the following note. Do not deliver the note or make any mention regarding it until further instructed by the Department. As soon as the neutral Governments agree regarding this text you will be advised of the date on which it should be presented to the Paraguayan Government. The note is as follows:

"The Governments of Uruguay, Mexico, Cuba, Colombia, and the United States of America have received a note from the Bolivian Government in answer to their note of June 25 stating that it would be disposed to study immediately a pact of non-aggression in the Chaco, of such a nature as to guarantee peace and tranquillity, with the purpose of entering into negotiations that would carry the territorial controversy to an equitable and final ending under the auspices of a procedure propitious to a pacific settlement.

The neutral Governments above cited have the honor to inquire whether the Paraguayan Government would be disposed to study immediately such a pact of non-aggression in the Chaco. The neutral Governments feel that this suggestion made by the Bolivian Government is an encouraging one, and they do not hesitate to give it their full support and to express the hope that Paraguay will be willing to study such a pact.

The neutral Governments therefore venture to inquire whether the Paraguayan Government will be disposed to authorize its diplomatic representative in Washington, or else to send a duly accredited representative for the purpose, to study and draw up a pact of non-aggression in the Chaco in order to maintain peace and tranquillity there until negotiations can be entered into which will carry the territorial controversy to an equitable and final ending.

The neutral Governments furthermore suggest that it would be most suitable and helpful if both Governments would declare their intention not to send more troops into the Chaco, to withdraw the troops already there, and to give strict and explicit orders that there shall be no friction or disturbance of any sort whatsoever pending the negotiation of the pact of non-aggression. The neutral Governments will be glad to receive such a declaration from the Paraguayan Government. A similar suggestion has been made today to the Bolivian Government."

CASTLE

724.3415/1320a : Telegram

The Acting Secretary of State to the Minister in Bolivia (Feely)[81]

WASHINGTON, August 5, 1931—6 p. m.

41. Department's telegram No. 40 dated July 30. Neutral governments have approved text of note to Bolivian Government. You will therefore deliver it on behalf of the United States on August 6.

In the event that Colombia and Cuba have no representatives in La Paz you will present the note on behalf of each of these governments. If there are such representatives and they have not received the text of the note you will deliver to them this text, in order that they may present the note in person.

CASTLE

724.3415/1337 : Telegram

The Chargé in Paraguay (Horn) to the Acting Secretary of State

ASUNCIÓN, August 13, 1931—10 a. m.
[Received 1:15 p. m.]

85. My 69, July 3, 1 p. m., reporting Argentina's suggestion concerning policing of Chaco. I have just learned that about 2 weeks ago this suggestion was turned down by the Paraguayan Government. It maintained Bolivian troops are now in actual possession of Paraguayan territory. It was intimated that if the troops withdrew to less advanced positions that perhaps more favorable consideration could later on be given the suggestion.

HORN

724.3415/1338 : Telegram

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

LA PAZ, August 14, 1931—6 p. m.
[Received 7:23 p. m.]

95. Minister of Foreign Affairs informed me yesterday that reply to neutrals' note would be forthcoming early next week and intimated that Bolivia's acceptance would be qualified by conditions which might not be acceptable to Paraguay especially in respect of withdrawal of troops, pointing out Paraguay's proximity to and Bolivia's distance from the disputed territory.

It is apparent that the intervention of the neutrals is embarrassing the Government which also resents the publicity given in Washing-

[81] The same, *mutatis mutandis*, to the Chargé in Paraguay as telegram No. 30, referring to Department's telegram No. 29, July 30, 7 p. m., *supra*.

ton and Asunción to the neutrals' activities in contrast with secrecy here. The Vice President and Sanchez Bustamante have both intimated to me that the President feels that undue pressure is being exerted upon Bolivia to Paraguay's advantage, and that this feeling also exists in Congress which has invited the Minister of Foreign Affairs to inform Congress as to the present state of the Paraguayan controversy.

Paraguay's readiness to accept the neutrals' intervention, Bolivia's evident desire to delay negotiations, and a feeling of fear and mistrust of the motives behind the neutrals' repeated offers of assistance and the publicity given thereto, have created an atmosphere definitely unfavorable to a successful outcome of the neutrals' intervention.

Sanchez Bustamante leaves for Buenos Aires on August 14 and is empowered to discuss with the Argentine Government, not only a renewal of relations but also means toward a settlement of the fundamental question.

FEELY

724.3415/1340

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

[WASHINGTON,] August 17, 1931.

The Argentine Ambassador, Señor Felipe Espil, called to comply with instructions received from the Foreign Office at Buenos Aires to inform the Department (as well as the representatives of the other neutral states) that Argentina has abandoned its representations to the Bolivian and Paraguayan Governments with respect to an international police service, in view of the possible conflict of those representations with the representations of the neutral governments. Argentina is, however, continuing its efforts in behalf of the renewal of diplomatic relations between Bolivia and Paraguay, although these efforts are temporarily suspended pending the arrival at Buenos Aires of Señor Sanchez Bustamante from La Paz.

WALTER C. THURSTON

724.3415/1341 : Telegram

The Chargé in Paraguay (Horn) to the Acting Secretary of State

ASUNCIÓN, August 22, 1931—9 a. m.
[Received 1 : 20 p. m.]

87. My 84, August 6, 2 p. m.[82] Paraguay's reply dated August 21 says that it is disposed to study the pact suggested. Minister for

[82] Not printed.

Foreign Affairs has no objection to text of his reply being sent by open cable. Therefore its four final and essential paragraphs are quoted. The three opening paragraphs consist merely of a restatement of the neutrals' proposal.[83]

"It is well, Mr. Chargé d'Affaires, to make clear that the very delicate situation existing in the Chaco, is due to the illegal advances realized by Bolivia through the establishment of military posts, disturbing the sovereignty and the possession of my country as concerns this territory.

Paraguay has always remained within the bounds of serenity and prudence, suggesting, although unfortunately in vain, upon various occasions, judicial arbitrations destined to remedy the said situation.

Consequently, my Government, in this same spirit, declares itself as being disposed to study the pact referred to and its accompaniments.

For this purpose it will instruct its diplomatic representative in Washington, or send another duly authorized, and in the corresponding negotiations my Government will study the concrete proposals which will be formulated, and will make known its own proposals concerning the bases and conditions of the pact."

HORN

724.3415/1349 : Telegram

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

LA PAZ, September 4, 1931—9 a. m.
[Received 2:15 p. m.]

99. Following note received from Foreign Office last night:

"I have the honor to reply to the note dated August 6th[84] by means of which you have brought to my knowledge the tenor of the communications which the Governments of the United States, Colombia, Cuba, Mexico, and Uruguay have agreed to address to the Bolivian Government in reply to the note of July 25th, which contained the points of view of the Bolivian Foreign Office in relation to the offer of good offices formulated by the said governments to bring about a pacific solution of the territorial controversy in which Bolivia and Paraguay are involved.

With the purpose of maintaining the procedure which has been followed thus far in the course of this negotiation, I request that you transmit to the Government of the United States the following reply:

The Government of Bolivia is pleased to know that the neutral governments have received with satisfaction its declaration in the sense that it consents to study a pact of nonaggression in the Chaco, for the purpose of guaranteeing the peace and tranquillity that are needed to make possible a procedure (*tramitación*) leading to a juridical settlement that may end the present situation. In this sense

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[83] Translation of the following paragraphs, which were transmitted in Spanish, has been supplied from translation of the note enclosed with the Chargé's despatch No. 258, August 22.

[84] See telegrams No. 40, July 30, 7 p. m., and No. 41, August 5, 6 p. m., to the Minister in Bolivia, pp. 751 and 753.

it declares that it is disposed to enter into negotiations directed toward establishing the bases of such an agreement, for which purpose it will be pleased to authorize its diplomatic representative accredited in Washington, or designate a special commission provided with sufficient instructions and powers for that purpose.

Anticipating the suggestion of the neutral governments in the sense of seeking 'practical and advantageous means' of avoiding clashes in the disputed territory, until the proposed pact of security may be agreed upon, the Bolivian Government declares that it has long since given the necessary instructions to the military command that any collision with the Paraguayan forces is to be carefully avoided, except in case of legitimate defense; but it regrets to state that it is not possible for it to accede to the request that it retire its present garrisons, both for the reason that they constitute the visible sign of its dominion over that territory and because they are there to interpose a barrier to the advances that are being consummated in that region, over which Bolivia considers it has full sovereignty.

My Government again expresses its thanks for the noble diligence of the neutral governments in their desire to bring about a solution of the Chaco problem thus insuring peace and harmony between Bolivia and Paraguay, and wishes to make clear the good faith and sincerity with which it is disposed to contribute to that work of international cooperation (signed) Mercado."

Cuban representative having no code requests text be cabled to his Government.

FEELY

724.3415/1373b : Telegram

The Secretary of State to the Minister in Bolivia (Feely)[85]

WASHINGTON, September 18, 1931—6 p. m.

52. Please present the following note to the Bolivian Government on next Monday September 21st on behalf of the neutral representatives in Washington:

"The representatives in Washington of the neutral Governments have learned with great pleasure that both Bolivia and Paraguay have accepted the suggestion of their Governments to authorize duly accredited representatives to study and draw up a pact of non-aggression in the Chaco in order to maintain peace and tranquillity there until negotiations can be entered into which will carry the territorial controversy to an equitable and final ending. In view of this the neutral representatives suggest that the first meeting take place at Washington on Thursday, October 1st, and accordingly have the honor to suggest that the Bolivian Government instruct its representative in this sense. A similar proposal is being made to the Paraguayan Government."

STIMSON

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[85] The same, *mutatis mutandis*, on the same date to the Minister in Paraguay as telegram No. 37.

724.3415/1406a : Telegram

The Secretary of State to the Minister in Bolivia (Feely)[86]

WASHINGTON, October 3, 1931—noon.

56. Please present immediately to the Minister of Foreign Affairs the following note:

"On September 21, the representatives in Washington of the neutral Governments suggested to the Governments of Bolivia and Paraguay that the first meeting of the duly accredited representatives of those Governments to study and draw up a pact of non-aggression in the Chaco take place in Washington on Thursday, October 1. The Bolivian Government reiterated its intention to designate a duly authorized commission to study such a pact but stated that because of the proximity of the date fixed it would not be possible for it to attend and asked that the meeting be postponed until the Bolivian representatives might be present in Washington. The Paraguayan Government similarly requested that the meeting be postponed until the month of November in order that there might be time for its instructions to reach the Paraguayan representative in Washington.

The representatives in Washington of the neutral Governments are pleased to accede to the desires of both Governments and having ascertained that there will be ample time for the representatives of both Governments to arrive in Washington before November 11, now fix that date for the first meeting. The Government of Bolivia is accordingly requested to instruct its representatives to meet with the representatives in Washington of the neutral Governments on Wednesday, November 11, at 11 o'clock."

STIMSON

724.3415/1406c : Telegram

The Secretary of State to the Minister in Bolivia (Feely)[87]

WASHINGTON, October 3, 1931—1 p. m.

57. Please present immediately to the Minister of Foreign Affairs the following note:

"The representatives in Washington of the neutral Governments have viewed with concern the recent encounter of Bolivian and Paraguayan troops in the Chaco and in order to contribute in a positive way to the maintenance of peace in that region have now the honor to suggest to the Bolivian and Paraguayan Governments that they give categoric instructions to the Commanders of all their forces in the Chaco that all their military forces be strictly confined within the limits of their respective forts in order to avoid any further incidents or clashes and thus make easier the task of the representatives of the two Governments when they meet in Washington on November 11, to draw up a pact of non-aggression."

STIMSON

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[86] The same, *mutatis mutandis*, on the same date to the Minister in Paraguay as telegram No. 39.

[87] The same, *mutatis mutandis*, on the same date to the Minister in Paraguay as telegram No. 40.

724.3415/1416 : Telegram

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

RIO DE JANEIRO, October 9, 1931—noon.
[Received October 9—11:20 a. m.]

70. Brazilian Minister for Foreign Affairs showed me an hour ago the text of a telegram received yesterday from Gracie, Brazilian Minister in La Paz, reporting that the Chief of Staff of the Bolivian Army had stated to him that the said army proposes aggressive action against Paraguay, occupation of Chaco forts on Paraguayan frontier, and bombardment by airplanes of Asunción.

Although selected, the names of the two Bolivian delegates to the November conference in Washington have not yet been published.

It would appear that the military party by aggressive action intends to prevent the meeting of the conference or at least to obstruct its work.

Brazilian Minister for Foreign Affairs considers the situation critical and that only strong action by the powers which can influence Bolivian opinion must be taken to prevent an open rupture and a state of war. He would like to know the character of your advices and what cooperative action he may take with the Five-Power Commission.

MORGAN

724.3415/1416 : Telegram

The Secretary of State to the Ambassador in Argentina (Bliss)[88]

WASHINGTON, October 9, 1931—6 p. m.

69. Following strictly confidential telegram 70, October 9, noon, received from Embassy Rio.

[Here follows the text of the telegram printed *supra*.]

Department has replied today as follows:

[Here follows the text of telegram No. 70, October 9, 7 p. m., printed on page 759.]

Please take the matter up with Minister for Foreign Affairs in the sense of instructions to the Ambassador at Rio.

STIMSON

724.3415/1416 : Telegram

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

WASHINGTON, October 9, 1931—6 p. m.

41. Has the Paraguayan Government answered the notes sent to you by the Department's cables of October 3?[89]

[88] The same, *mutatis mutandis*, on the same date, to the Ambassadors in Chile (No. 47) and Peru (No. 55).

[89] See footnote 86 and footnote 87, p. 757.

Department assumes from your 99, September 30, 8 p. m. and 101, October 7, 6 p. m.,[90] that Paraguay accepts to be represented at the first meeting to consider the non-aggression pact on November 11.

Has any indication been given regarding Paraguayan response to the suggestion of the neutral representatives that forces in the Chaco be confined within the limits of their respective forts? Affirmative answers to these two notes will be very helpful at this time.

STIMSON

724.3415/1416 : Telegram

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

WASHINGTON, October 9, 1931—7 p. m.

70. Your 70, October 9, noon. On June 25 the neutral governments inquired of Bolivia and Paraguay whether they were disposed to authorize their diplomatic representatives in Washington to enter into negotiations regarding the settlement of outstanding territorial and frontier difficulties in the Chaco, such negotiations to be supplemented by such further negotiations between the diplomatic representatives of Paraguay and Bolivia in Asunción and La Paz respectively as the two governments might deem advantageous.

The neutral governments at the same time renewed their readiness to have their diplomatic representatives in Washington keep in touch with the situation as it develops in order that when proper they might be utilized for the organization of a commission composed of delegates specially appointed thereto.

This note was never answered by Paraguay. The Bolivian Government on July 25, confirmed its conditional acceptance of the good offices proffered, and after a long exposition of its point of view on the question of arbitration of this matter, concluded by saying that "it would be disposed to study immediately a pact of non-aggression in the Chaco, of such a nature as to guarantee internal peace and tranquility, with the purpose of entering into negotiations that would carry the territorial controversy to an equitable and definite ending under the auspices of a procedure propitious to a pacific settlement."

On August 6 the neutral governments, in view of the above, inquired of both the Paraguayan and Bolivian Governments whether they would be disposed to study immediately such a pact. The neutral governments added that they felt that this suggestion of the Bolivian Government was an encouraging one and they did not hesitate to give it full support and to express the hope that both Governments would be willing to study such a pact.

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[90] Neither printed.

The neutral governments furthermore suggested that it would be most suitable and helpful if both governments would declare their intention not to send more troops into the Chaco, to withdraw the troops already there, and to give strict and explicit orders that there should be no friction or disturbance of any sort pending the negotiation of the pact of non-aggression.

Paraguay accepted the neutrals' proposal to study the pact of non-aggression but made no reference to the suggestion regarding troops.

The Bolivian Government also agreed to discuss a non-aggression pact and said that it would so authorize its diplomatic representative in Washington, or designate a special commission provided with sufficient instructions and powers for that purpose.

Regarding the withdrawal of troops in the Chaco, Bolivia stated that it had long ago given necessary instructions to its military commanders to avoid carefully any collision with Paraguayan forces, except in cases of legitimate defense. It regretted that it was not possible to accede to the request that it retire its present garrisons because they constitute the visible sign of its dominion over that territory and are to interpose a barrier to the advances carried on in that region.

On September 21 the neutral representatives in Washington suggested to Bolivia and Paraguay that the first meeting to discuss the non-aggression pact take place in Washington on October 1. Paraguay replied that it could not get instructions to its representatives by that date and would suggest that the meeting be postponed until November. Bolivia replied that it would send a special commission and asked that the meeting be postponed until the commission could arrive in Washington but suggested no date.

In order to give time for the delegations to arrive, and after consulting steamer schedules to this end, the neutral representatives on October 3 designated November 11 as the date of the first meeting and requested the governments to instruct their representatives to meet with the representatives in Washington of the neutral governments, on that day.

In view of the serious clashes that had been occurring in the Chaco, and feeling that something more was necessary than merely fixing a date which, by force of circumstances, had to be delayed for well over a month, and in view of the reasons given by the Bolivian Government why it could not withdraw its troops from the Chaco, the neutral representatives at the same time despatched a second note to the two governments, stating that they had viewed with concern the recent encounter of Bolivian and Paraguayan troops in the Chaco and that in order to contribute in a positive way to the maintenance of peace in that region, they had the honor to suggest that those gov-

ernments give categoric instructions to the commanders of all their forces in the Chaco that their military forces be strictly confined within the limits of their respective forts in order to avoid any further incidents or clashes and thus make easier the task of the representatives of the two governments when they meet in Washington on November 11 to draw up a pact of non-aggression.

There have been no definite replies to these notes as yet, although the Legation in Asuncion has informed the Department that Mr. Soler, Paraguayan Minister to Mexico, and Señor Vasconcellos, leader of the Colorado Party in the House of Deputies, would be appointed to represent Paraguay and that Señor Vasconcellos would reach New York on November 10 and will come immediately to Washington. Mr. Soler will reach Washington earlier.

Please explain the situation as set forth above, to the Minister For Foreign Affairs and say that any assistance which he can give in supporting the neutrals' proposals and in inducing the Bolivian Government to be represented at the conference on November 11, and in inducing both governments to accept the suggestion that their troops be confined within the limits of their forts, will be most helpful and welcome by this Government and the neutral representatives in Washington.

The Department is informed that there is at present opposition in Bolivia to the discussion of a pact of non-aggression. It should be noted in this connection that the first suggestion for such a pact came from the Bolivian Government in its note of July 25th and did not originate with the neutrals.

Please report any developments to the Department. Department has kept Brazilian Ambassador, as well as the Argentina, Chilean and Peruvian Ambassadors in touch with the situation, and will advise you also of any further important developments.

STIMSON

724.3415/1423 : Telegram

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

ASUNCIÓN, October 10, 1931—2 p. m.
[Received 9:30 p. m.]

103. Your telegram 41, October 9, 6 p. m., and my telegram 102, October 10, 11 a. m.[91] By Presidential decree Soler and Vasconcellos in the quality of plenipotentiaries on special mission and Ynsfran in the quality of Counselor are constituted Paraguay's commission to study the pact of nonaggression.

[91] Latter not printed.

The reply to the Legation's note presented pursuant to the Department's telegram 40, October 3, 1 p. m.,[92] has just been handed me. Omitting opening and closing salutation it reads as follows:

"I have the honor to state to Your Excellency that my Government sometime since ordered the national troops to refrain from committing acts of provocation, these orders having been repeated on this occasion. The encounters to which the note of Your Excellency refers have not occurred through causes chargeable to the army of my country, they being due to the frequent incursions or advances made by Bolivian forces in the direction of Paraguayan fortins."

WHEELER

724.3415/1420 : Telegram

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

SANTIAGO, October 10, 1931—7 p. m.
[Received 9:40 p. m.]

127. I explained today to the Minister for Foreign Affairs the situation set forth in the Department's telegram 47, October 9, 6 p. m.[93] He said that he had been using his influence to persuade Bolivia and Paraguay to submit their dispute to the neutral commission and that on the basis of the information which I gave him he would renew his efforts along the lines indicated especially through his Minister in La Paz. He expressed sincere appreciation of your efforts to settle the dispute and offers his fullest cooperation.

CULBERTSON

724.3415/1422 : Telegram

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

LIMA, October 10, 1931—10 p. m.
[Received 11:50 p. m.]

334. Reference my 331 [*333*] of today's date,[94] Foreign Minister has just informed me he is instructing Peruvian Ambassador Washington to vigorously cooperate in every possible way with the Department towards settling Chaco situation. He states that on occasion of first of recent clashes he instructed Peruvian Ministers in La Paz and Asunción to work for harmony and in interest of November meeting and noncreation [*nonaggression?*] pact and that he ascertained that Chilean Government would take the same line. He is tonight telegraphing Peruvian diplomatic representatives in Brazil

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[92] See footnote 87, p. 757.
[93] See footnote 88, p. 758.
[94] Not printed.

and the Argentine to assist the issue in every way they can and is sending additional messages to the Peruvian diplomatic representatives in Chile, Bolivia, and Paraguay. The Foreign Minister intends Peruvian cooperation shall be complete.

DEARING

724.3415/1424 : Telegram

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

BUENOS AIRES, October 11, 1931—3 p. m.
[Received 4:40 p. m.]

109. Your 69, October 9, 6 p. m. Minister for Foreign Affairs said yesterday that he will be glad to recommend informally that Bolivian Government be represented at November 11 conference; also that troops of both parties to Chaco dispute remain within their respective limits.

He does not consider that either side means war but notes reciprocal tendency to take advantage of present abnormal situation to endeavor to score points against opponents. During next few days Doctor Bioy intends to see if any further negotiations are possible with a view to renewal of Paraguayan-Bolivian diplomatic relations. These were previously conducted by Doctor Bosch in person but have of late been in abeyance by reason of above-mentioned tendency.

BLISS

724.3415/1426 : Telegram

The Minister in Bolivia (Feely) to the Secretary of State

LA PAZ, October 13, 1931—8 p. m.
[Received 9:25 p. m.]

124. The Argentine Minister today informed the Minister of Foreign Affairs as to the contents of the Department's telegram to the Embassy in Buenos Aires,[95] expressing its alarm at the possibility of Bolivia's withdrawal from the conference and at the danger of further military activities in the Chaco. Similar but more definite and forcible instructions have been received by the Chilean and Peruvian Ministers and will be communicated to the Foreign Office tomorrow morning. The Brazilian Minister is without advice from his Government.

The Minister of Foreign Affairs informed me at 6 p. m. today that the final vote in the Chamber of Deputies began at 5:30 p. m. and that he could assure me that none of the resolutions to be voted involved

[95] No. 69, October 9, 6 p. m., p. 758.

Bolivia's withdrawal from the conference, but had to do principally with the nature of the instructions to be given to the Bolivian Delegation.

Under the circumstances I have suggested to him that Bolivia do not request a postponement even though Finot may not arrive in time for the first sessions, and he promised to consider the suggestion.

The vote in the Chamber of Deputies will probably continue until Thursday.

FEELY

724.3415/1428 : Telegram

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

ASUNCIÓN, October 14, 1931—9 a. m.
[Received 1:15 p. m.]

104. My telegram No. 103, October 10, 2 p. m. The reply to the Legation's note presented pursuant to instructions to [*in*] the Department's telegram No. 39, October 3, noon,[96] states:

"In reply I am able to inform you that the delegation of Paraguay will be on the date indicated in Washington, properly instructed for the opening of the meetings".

WHEELER

724.3415/1429 : Telegram

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

SANTIAGO, October 14, 1931—11 p. m.
[Received 11:35 p. m.]

128. Minister for Foreign Affairs received confirmation of the invitation [*sic*] of Bolivian Chief of Staff to make war on Paraguay, latter's argument being that it is cheaper than the armed peace. Minister for Foreign Affairs sent several telegrams to La Paz urging Bolivia to attend conference at Washington and to restrain troops. He stated he has now a definite reply that Bolivia has yielded. He is now working on Paraguay.

Minister for Foreign Affairs said that Peru, Argentina and Brazil had cooperated in making vigorous representations at La Paz and that Chile and Peru had threatened to close the Pacific to Bolivia in case she went to war.

I have had no idea of connecting officially my trip to Paraguay and La Paz with the Chaco dispute but the Minister for Foreign Affairs today said that he had heard of my projected trip and said emphatically that my presence in Paraguay would help very much to

[96] See footnote 86, p. 757.

advance the settlement. You are in a better position than I to judge whether I could be helpful. I will appreciate instructions on the basis of my despatch 970, September 23rd, and 987, October 9th,[97] which will arrive at the end of this week.

The Minister for Foreign Affairs has been very active and you may think that a personal word of thanks to him may be in order.

CULBERTSON

724.3415/1431 : Telegram

The Minister in Bolivia (Feely) to the Secretary of State

LA PAZ, October 15, 1931—10 a. m.
[Received 1 p. m.]

126. Last night I discussed the military situation with the Chief of the General Staff with the idea of arriving at some method of avoiding clashes until a nonaggression pact could be formulated. He informed me that reports of a threatened Paraguayan attack continued to reach Bolivian headquarters and were causing him grave concern. He finally said that if I would suggest to my Government the advisability of bringing pressure to bear on Paraguay by means of representations to be made in Asunción by all the American governments to prevent further attacks, he would immediately send instructions to the military commander to discontinue all patrols and to keep Bolivian troops in their quarters entirely on the defensive. I promised to do so and such instructions were sent by him last night.

The Minister of Foreign Affairs last night informed me that he agreed with me that it would be inadvisable to postpone the conference and said that Bolivia would accept November 11 as the date of the first meeting provided the definite approval of the agenda of the conference could be left until Finot arrived on or about November 24th with instructions for the delegation. He also informed me that the vote in the Chamber of Deputies should terminate today and that he would immediately reply to the last notes.

FEELY

724.3415/1429 : Telegram

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

WASHINGTON, October 15, 1931—3 p.m.

48. Your 128, October 14, 5 [*11*] p. m., third paragraph. Department does not desire you to visit Bolivia or Paraguay at this time.

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[97] Neither printed.

I much appreciate the action which Señor Izquierdo has taken in this matter and would like to have you express to him my personal thanks for his interest in the matter. Please tell him that Señor Cruchaga has also been very helpful.

STIMSON

724.3415/1426 : Telegram

The Secretary of State to the Minister in Bolivia (Feely)

[Paraphrase]

WASHINGTON, October 15, 1931—4 p. m.

59. Your 126, October 15, 10 a. m. The matter contained in the first paragraph of your telegram has been under consideration for some time, and the Department hopes to send you a further telegram about it either at the end of this week or the beginning of next.

With regard to the second paragraph the Department feels it most advisable that Bolivia accept November 11 as the date for the opening of the meeting even though Dr. Finot may not be able to reach Washington by that date. Although the Department, of course, cannot speak for the others, it feels certain that there will be no objection at the meeting of November 11 to a postponement until Dr. Finot arrives.

STIMSON

724.3415/1434a : Circular telegram

The Secretary of State to Certain Diplomatic Representatives in Latin America [98]

WASHINGTON, October 16, 1931—5 p. m.

The representatives in Washington of the neutral countries acting in the Bolivia-Paraguay dispute are addressing cables today to the Ministers of Foreign Affairs of all the other American countries, inviting them to authorize their diplomatic representatives in Washington to sign on October 20th a joint telegram directed to Bolivia and Paraguay in the following terms:

"The representatives of the American republics meeting in Washington, the seat of the neutral commission, having been duly authorized by their respective Governments, have the honor to express to the Governments of Bolivia and Paraguay their most earnest desire that, with the urgency which the case demands, they sign a pact of non-aggression as they have already contemplated doing, and that they continue their efforts to arrive at a definitive solution of the Chaco question which is so much occupying the nations of the American continent."

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[98] The diplomatic representatives in all Latin American republics except Bolivia, Colombia, Cuba, Mexico, Paraguay, and Uruguay.

The telegram is signed by the Secretary of State, the Ambassador of Cuba, the Minister of Uruguay, the Minister of Colombia and the Chargé d'Affaires of Mexico.

Please express at once to the Minister of Foreign Affairs the hope that he will authorize his diplomatic representative in Washington to sign this telegram on the date suggested and also urge that the text of the proposed cable be kept strictly confidential until the telegrams have actually been sent to Bolivia and Paraguay.

STIMSON

724.3415/1436 : Telegram

The Minister in Bolivia (Feely) to the Secretary of State

LA PAZ, October 17 [*18?*], 1931—10 a. m.
[Received October 18—1:55 p. m.]

127. The reply of the Bolivian Government to the neutrals' notes of October 4th [99] was received at 10 p. m. last night and is published in the local papers today. Bolivia accepts the suggestion that the conference begin on November 11th. Finot will probably leave here October 30th and arrive in Washington about November 17th. Text of note follows.[1]

FEELY

724.3415/1449 : Telegram

The Minister in Bolivia (Feely) to the Secretary of State

LA PAZ, October 18, 1931—4 p. m.
[Received October 19—12:20 p. m.]

128. The Bolivian reply of October 17, 10 p. m., to the last neutral notes, after repeating the text of the latter, reads textually as follows:

"My Government has learned with pleasure of the good will of the neutral governments to cooperate with their good offices toward the realization of pacific agreements that will prevent further clashes in the Chaco. It considers at the same time that it is necessary to advance certain concepts on this occasion.

Animated by the best intentions towards the peace of America, my Government has proposed the discussion of the bases of a pact of nonaggression in the Chaco. But these intentions were immediately answered by further Paraguayan attacks, as may easily be proved by an impartial investigation, if indeed the communiqué of the Paraguayan Ministry of War of September 20th were not sufficient proof, declaring as it does 'that the reconnaissance of the Bolivian possession

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[99] See telegrams No. 56, October 3, noon, and No. 57, October 3, 1 p. m., to the Minister in Bolivia, p. 757.

[1] See telegram No. 128, October 18, 4 p. m., *infra*.

had been ordered'. These last attacks are but the repetition of numerous aggressions which began with that of Puerto Pacheco, continued with Vanguardia and ended with Aguarica. So unequal is the situation of the two nations that it is Paraguay whose duty it should be to give guarantees of nonaggression and not Bolivia which has only suffered and repulsed with stoicism the latest incursions of Paraguay into its dominions.

These aggressions and invasions have culminated in the Paraguayan usurpation of the entire right bank of the Paraguay River throughout the five geographical degrees comprised between the 25th parallel and Puerto Pacheco, and as though this were not sufficient to isolate Bolivia, Paraguay has advanced toward the interior along the Rio Negro, within the Chaco its penetration has comprised the entire fertile zone provided with water and suitable for colonization.

Notwithstanding these antecedents which show Paraguay to be the permanent aggressor, Bolivia will proceed to discuss with the delegates of that country the bases of the nonaggression pact under the benevolent hospitality of the American Government and under the aegis of the good offices of the representatives of the neutral governments who, as observers, will be able to follow the course of the conferences.

As to the suggestion that instructions be given to the commanders of the forces in the Chaco to the effect that they keep strictly within their respective positions, I should say that on its own initiative my Government maintains in force the orders already given to the effect that Paraguayan positions are not to be attacked, as was proven in the recent incidents at Aguarica in which, although we were attacked we have maintained our positions, although revenge might have been taken successfully. It is the country that has been the aggressor and the invader for the past 50 years which should give guarantees of immobility.

These and other related points are precisely those which we shall discuss in Washington on the date indicated. Bolivia will participate therein with the best intentions always on the basis of respect for its territorial rights. Signed Julio A. Gutierrez."

FEELY

724.3415/1463a : Circular telegram

The Secretary of State to Certain Diplomatic Representatives in Latin America[2]

WASHINGTON, October 19, 1931—5 p. m.

All countries having agreed to sign joint telegram to Bolivia and Paraguay, it was signed by the 19 other American countries at 12:30 today and sent forward immediately.

STIMSON

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[2] The diplomatic representatives in all Latin American republics except Bolivia and Paraguay.

724.3415/1470 : Telegram

The Bolivian Minister for Foreign Affairs (Gutierrez) to the Secretary of State

[Translation]

LA PAZ, October 20, 1931.
[Received 10 : 10 p. m.]

Replying to the invitation of representatives of American republics to enter into a pact of nonaggression with Paraguay with the urgency the case requires, my Government, appreciating the invitation of the American governments, states that sometime since it suggested to the neutrals the discussion of the said pact, having accepted for the first meeting of the Bolivian-Paraguayan Conference your capital, on November 11. My sincere respects to Your Excellency.

JULIO A. GUTIERREZ

724.3415/1489½

Memorandum by the Assistant Secretary of State (White)

[WASHINGTON,] October 21, 1931.

Mr. Abelli, the Minister of Bolivia, called and I told him I had received his telegram asking us to hold up the cables to Bolivia and Paraguay signed by all the countries of America, but that it had come on Monday morning when everybody was in agreement, and it was too late to call it off, even had we considered it desirable to do so. I told him that on the contrary, I thought that it was a good thing and then read him the first paragraph of Mr. Feely's telegram No. 126 of October 15, 10 a. m., showing that the Chief of the General Staff of the Bolivian army had made suggestions along these same lines to Mr. Feely on the night of October 14. The Minister was much impressed by this and asked me to send him a memorandum regarding it. I told him I would do it.

. . . . . .

F[RANCIS] W[HITE]

724.3415/1515

Memorandum by the Assistant Secretary of State (White)

[WASHINGTON,] October 22, 1931.

Mr. Huxley of the British Embassy telephoned and stated that he had seen rather conflicting reports in the press regarding the Bolivia-Paraguay matter. One press report was to the effect that the telegrams of the American countries had been sent because Bolivia was

not joining in the conference to consider a pact of non-aggression, whereas others reported that Bolivia had accepted the invitation and had appointed their delegates. He inquired whether I could tell him something regarding the matter.

I said that the notes had not been sent because we felt that Bolivia would not come to the conference. As a matter of fact, Bolivia has accepted and has appointed its delegates. Although we knew before the telegram was sent that Bolivia would do so, we did not actually get the official note until after the telegrams had been despatched. I said that this, however, was not the reason for sending the telegrams. The telegrams were sent as the crystallization of public opinion throughout many of the American countries to the effect that something should be done to point out to the two Governments the great interest of the whole continent in their disturbed relations and the desire of the American peoples that there should be no armed conflict in this hemisphere.

F[RANCIS] W[HITE]

724.3415/1490 : Telegram

The Paraguayan Minister for Foreign Affairs (Zubizarreta) to the Secretary of State and the Diplomatic Representatives of the American Republics in Washington

[Translation]

ASUNCIÓN, October 22, 1931.
[Received 1:30 p. m.]

My Government thanks you for the concern and friendly interest shown in the cablegram which I had the honor to receive, and which coincides with its desire for peace and aspirations for harmony. My Government is confident that the approaching conferences for the study of a pact of nonaggression will permit of considering in a spirit of justice the controlling reasons for the present situation in the Chaco, and that it will be possible to arrive at such an agreement on the basis of the recognition of and respect for the rights of my country and of the juridical regime disturbed by the present military occupation by Bolivia.

GERONIMO ZUBIZARRETA

[The inaugural meeting between the delegates of Bolivia and Paraguay to discuss a nonaggression pact was held at the Pan American Union on November 11. The delegates of Bolivia not having arrived at that time, it was agreed that the Assistant Secretary of State, Mr. Francis White, should call another meeting of the neutral representa-

tives and the delegates of Bolivia and Paraguay. The date selected was November 24. (724.3415/1563b, 1581)]

BOUNDARY DISPUTES

Dominican Republic and Haiti[1]

738.3915/421 : Telegram

The Minister in Haiti (Munro) to the Secretary of State

PORT-AU-PRINCE, May 28, 1931—8 p. m.
[Received May 29—12 : 45 a. m.]

[45.] The President has informed the Commandant of the Garde of the receipt of a very strong note from the Dominican Government demanding the immediate withdrawal of Haitian Garde patrols from the southern frontier region between Fonds-Verrettes and Bananodu [*Banane?*] and stating that orders have been given to the Dominican army to clear the region of foreign troops. A small force of Gardes has patrolled the border recently because of constant complaints that Dominican forces were crossing the frontier and mistreating Haitians on this side of the lines. While the extent which each government should occupy in this region is a matter primarily for discussion between them it is extremely important that the Dominican Government should not attempt any attack on the Garde which would necessarily involve us. I urgently recommend that the Dominican Government be warned to avoid any such action.

Repeated to Santo Domingo.

MUNRO

738.3915/421 : Telegram

The Acting Secretary of State to the Minister in the Dominican Republic (Curtis)

WASHINGTON, May 29, 1931—2 p. m.

20. Please state immediately to the appropriate authorities of the Dominican Republic that this Government is greatly disturbed by the instructions said to have been addressed to the Dominican Army with respect to the attitude it should assume on the Dominican-Haitian frontier, as reported by Minister Munro in his telegram dated May 28, 8 p. m., repeated to your Legation.

Point out that beyond the natural concern which this Government feels with respect to any situation which might tend to impair the

[1] Continued from *Foreign Relations*, 1929, vol. I, pp. 943–946.

good relations existing between the Dominican Republic and Haiti, lies its further interest arising out of the fact that the Garde d'Haiti is largely officered by members of the United States Marine Corps. Any act of aggression against the Garde would consequently be a matter of immediate and grave interest to this Government.

It is the Department's understanding that the Treaty of January 21, 1929,[4] has been made effective by the demarcation of the boundary between the two Republics. Accordingly any controversies regarding boundary matters would appear to be susceptible of expeditious and satisfactory adjustment through conversations by the two Governments.

You may add that this Government confidently expects that the Dominican Government will rescind any orders which if executed might precipitate conflict with the Haitian Garde. You may say at the same time that the Department is requesting the American Minister at Port au Prince to urge upon the Haitian Government that it take steps which will tend to prevent any aggressive action by the Garde.

CASTLE

738.3915/421 : Telegram

The Acting Secretary of State to the Minister in Haiti (Munro)

WASHINGTON, May 29, 1931—2 p. m.

33. The Department is addressing the following telegram to the American Legation at Santo Domingo. Please take action in accordance with the last paragraph thereof.

[Here follows the text of telegram No. 20, May 29, 2 p. m., to the Minister in the Dominican Republic, printed *supra*.]

CASTLE

738.3915/423 : Telegram

The Minister in the Dominican Republic (Curtis) to the Secretary of State

SANTO DOMINGO, May 31, 1931—5 p. m.
[Received 11 p. m.]

35. Your telegram of May 29, 2 p. m. Stafford, just returned from Santiago, reports President said he had given no orders to clear the region of foreign troops and had no intention of precipitating a conflict with the Haitians. He showed excerpts of note from Haitian Min-

[4] League of Nations Treaty Series, vol. cv, p. 193.

ister here complaining of persecution by Dominican soldiers in territory always recognized as Haitian territory, and also telegrams from Dominican Chargé d'Affaires at Port-au-Prince stating that the Haitian Government wished to create border incidents in order to distract attention from internal conditions.

Full report by air mail due in Washington Thursday morning.

CURTIS

738.3915/427

The Minister in Haiti (Munro) to the Secretary of State

No. 149 PORT-AU-PRINCE, June 12, 1931.
[Received June 16.]

SIR: With reference to my telegram No. 45, of May 28, 1931, 8 P. M., and with reference to the despatches from the American Legation at Santo Domingo, copies of which have been sent to this mission, I have the honor to report the following information regarding the situation on the southern portion of the frontier between Haiti and the Dominican Republic.

Several months ago a number of reports were received that the Haitian population in the districts along the southern part of the frontier were being subjected to mistreatment and extortion at the hands of the Dominican soldiers in some of the frontier posts. The Haitian Government requested the Commandant of the Garde to take steps to protect its citizens in that part of the region which according to the statement of the Haitian members of the Boundary Commission was indisputably Haitian territory. So far as I can ascertain, no Dominican troops were actually stationed in this territory at that time but small patrols were occasionally crossing what was alleged to be the recognized temporary boundary and committing abuses. Garde posts of from three to five men were therefore established at five points in this region, including Banane, Terre Froide Magnie, Royer, Boucan Ferdinand, and Colline Fanchon. The establishment of these posts appears to have resulted in a complete cessation of complaints without giving rise to any incidents between the Haitian Garde and the Dominican forces stationed on the other side of the line.

On May 28th. the Commandant of the Garde d'Haiti was requested to attend a conference with the President and his Cabinet. He found them apparently much excited and very indignant over the receipt of the note delivered by the Dominican Chargé d'Affaires, a copy of which was transmitted by Mr. Curtis in his despatch No. 412 of June 8th.[5] The note referred to asserted that several of the

[5] Despatch No. 412 and enclosure not printed.

places occupied by the Garde were within Dominican territory and stated that the Dominican Government had issued orders to the National Army to oppose any violation of the existing frontier line which might be attempted by authorities or civilians of the Republic of Haiti. The President requested General Williams to send at once to the frontier a large force of troops to repel any Dominican effort to occupy the territory referred to in the note.

General Williams and I felt that it was obviously the duty of the Garde to protect Haitian citizens in Haitian territory and to maintain such rights as the Haitian Government might have and also that it was essential to make certain that the small scattered Garde posts in the area in question should not be exposed to extermination if larger Dominican patrols should seek to enter the territory. We did not feel, however, that it was advisable to send any considerable force of troops to the frontier as the President had requested. In view of our responsibility toward the Garde d'Haiti and toward the Haitian Government, the obvious procedure appeared to be to suggest to the Department that representations be made to the Dominican Government to dissuade it from carrying out the threat made in its note to the Haitian Minister of Foreign Affairs. It is most satisfactory to note that the representations made by the American Legation at Santo Domingo appear to have been entirely successful in this respect.

In view of the possibility of an attack on the Haitian outposts in the frontier region, General Williams considered it advisable to make preparations for strengthening the Haitian garrisons in case of emergency. He therefore despatched fifteen men from Jacmel by boat to Anse-à-Pitres, a town which is of course indisputably Haitian. At the same time he gave orders to hold one company of the Garde in readiness at the barracks at Port-au-Prince for possible despatch to the frontier if their services should be needed. The members of this company were at the time scattered through the city and they were assembled by sending buglers to several points in the city late in the evening to blow assembly. One at least of these buglers appears to have been fired by an excess of zeal and blew so often and so vigorously as to create much popular excitement before he was finally stopped and brought back to headquarters. This rather unnecessary proceeding which was presumably not foreseen when orders were given to assemble the company, created the impression that serious events were impending and gave rise to much speculation as well as to accusations that the administration was endeavoring unnecessarily to alarm the population over the frontier situation. All preparations to send additional troops to the frontier were suspended on the following day and the men already sent to Anse-à-Pitres were ordered back.

In the meantime, Colonel Clarke, an officer of the Garde, had been sent to Anse-à-Pitres to make a personal investigation of the situation. He found everything completely tranquil on the frontier and was unable to learn that any incidents of a serious nature had occurred within recent months. He was received in a respectful and friendly manner at each place where he came into contact with Dominican outposts.

According to Colonel Clarke there appears to be no dispute about the boundary from the mouth of the Pédernales River upstream to Tête-à-l'Eau. The statement in the Dominican note regarding Banane, which falls within this area, is apparently due to a misunderstanding since there are two towns, Banane, one on the Haitian and the other on the Dominican side of the river, each with an outpost of soldiers. From Tête-à-l'Eau to the region of Fonds-Verrettes, however, the boundary seems to be in dispute because the Treaty of January 21, 1929, provides that the line starting from the Etang Saumatre shall run to Gros Mare or Gros Mat, it being apparently the impression of the signers of the Treaty that these two names referred to the same spot. It appears as a matter of fact that the two places are different and are several miles apart so that the line drawn from that point to Tête-à-l'Eau will vary considerably according to the starting place. A large part of the territory between the two possible lines is almost uninhabited and would appear valueless, but the southern portion is said by Colonel Clarke to be excellent coffee country with a considerable and exclusively Haitian population.

As the result of Colonel Clarke's report, the outposts of the Garde have been ordered withdrawn from Terre Froide Magnie, Royer, Boucan Ferdinand, and Colline Fanchon, so that there are now no Haitian posts in this region in territory which might be regarded as under dispute. . . .

Respectfully yours, DANA G. MUNRO

738.3915/429

The Minister in the Dominican Republic (Curtis) to the Acting Secretary of State

No. 436 SANTO DOMINGO, July 13, 1931.
[Received July 22.]

SIR: Referring to my despatch No. 412 of June 8, 1931,[6] regarding friction between the Dominican and Haitian Governments due to frontier incidents, I have the honor to transmit herewith a copy and

[6] Not printed.

translation of the memorandum which I stated had been promised me by the Dominican Secretary for Foreign Affairs.

The contents of this memorandum and its enclosures serve to indicate that the Dominican Government has endeavored sincerely to obtain a final demarcation of the frontier line at the point where the most recent friction has arisen and that the Haitian Government has steadily refused to proceed with the further work of demarcation, giving no valid reason for this refusal.

In this connection, it may be mentioned that the local newspapers report an interview obtained by one of the subordinate editors of *La Opinion* with President Vincent of Haiti. In the course of this interview, President Vincent is reported to have said that Haiti would welcome the negotiation of an agreement to arbitrate, as provided in Article 18 of the Dominican-Haitian Frontier Treaty of January 21, 1929. The Dominican Secretary for Foreign Affairs, discussing the matter with me informally, has indicated that the position of the Dominican Government is that recourse should first be had to the Mixed Commission of five members provided in Article 7.

Respectfully yours, C. B. CURTIS

[Enclosure—Translation [7]]

The Dominican Ministry for Foreign Affairs to the American Legation

MEMORANDUM

1. On January 21, 1929, there was signed in Santo Domingo the Dominican-Haitian frontier treaty for the purpose of "putting a definitive end to the differences" which have in the past separated the Dominican Republic and Haiti "regarding the demarcation of the frontier line which separates their respective territories". (See annex No. 1.)[8]

2. This treaty was approved by the National Congress of the Dominican Republic on February 7, and by the Haitian Council of State on February 15, 1929; it was ratified by the President of the Dominican Republic on February 25, 1929, and by the President of the Republic of Haiti on February 11. The exchange of ratifications took place in the city of Santo Domingo on April 29, 1929.

3. In accordance with the provisions of the third article of the treaty, the Dominican-Haitian Boundary Delimitation Commission

[7] File translation revised.

[8] None of the annexes mentioned in this memorandum are printed; for text of the treaty of January 21, 1929, see League of Nations Treaty Series, vol. cv, p. 193.

was established by means of two decrees, one issued on May 14 by the President of the Dominican Republic to designate the members of the Dominican Section, and the other issued May 15 by the President of the Republic of Haiti to designate the members of the Haitian Section.

4. In July the Department of Foreign Affairs of the Dominican Republic notified the Departments of Foreign Affairs of the United States of America, of Venezuela, and of Brazil, that the seventh article of the treaty provided for the creation of a mixed commission to decide finally all difficulties which might arise in the execution of the treaty and upon which the High Contracting Parties should be unable to agree.[9] The Chancelleries of those three countries notified the Department of Foreign Affairs that their governments accepted the charge which this article of the treaty attributed to them.[10]

5. By action of the Dominican Government, the treaty was registered with the Secretary General of the League of Nations on August 7, 1930, in accordance with the provisions of article 18 of the Pact of the League of Nations.

6. From all the foregoing, it is seen in an incontrovertible manner that the Dominican Government performed with painstaking diligence all the acts necessary to insure the execution and validity of the treaty.

7. The Dominican-Haitian Frontier Delimitation Commission held its preliminary sessions, all the members of both sections being present, in Comendador and Veladero on May 16 and 17, 1929, to decide upon the plan of action by which the work of demarcation should be carried out, and as a result of these deliberations there was drafted and signed on May 17 an instrument called the Protocol of Comendador-Veladero which, with the approval of both Governments, has been in force without modification during all the process of the execution of the provisions of the treaty. (See annex No. 2.)

8. On June 1, 1929, the Delimitation Commission held a full meeting at Dajabón to verify the full powers of its members, and on June 2, to approve the Comendador-Veladero Protocol and begin the work of demarcation. Minutes of these meetings were made in the form established by the third article of the treaty, and the minutes of the later meetings were also kept in similar form up to the minute numbered 91, of December 2, 1930, which is the last.

9. An examination of these minutes shows:

a) That for the work of demarcation the frontier line was divided into six zones; that the work of three zones was to be carried out by the Haitian Section under the inspection of a Dominican Commissioner,

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[9] See note No. 295, July 9, 1929, from the Dominican Minister for Foreign Affairs, *Foreign Relations*, 1929, vol. I, p. 945.

[10] See note of August 21, 1929, to the Dominican Minister for Foreign Affairs, *ibid.*, p. 946.

and that the work of the other three zones was to be carried out by the Dominican Section under the inspection of a Haitian Commissioner;

b) That in the course of the work five difficulties have arisen, as enumerated in minute No. 89 of October 28, 1930. (See annex No. 3.)

c) That the Dominican Section has completed entirely, including the erection of boundary posts, all the work assigned to it in the sectors where there has been agreement; and,

d) That the Haitian Section stopped its work in the sectors where there was agreement and which were assigned to it in accordance with the distribution made of the work.

10. As to this last point (the stoppage of the work of the Haitian Section in the sectors where there was agreement), we must insist upon making the following explanations. As can be seen in minute No. 91 (annex No. 4), the Delimitation Commission, at its meeting in San Juan on December 2, signed seven plans made by the Haitian Section covering the sectors between Tête-à-l'Eau and the mouth of the Pédernales River and between Mare Citron and Gros Mare, and agreed that the Haitian Section should finish the work which it had pending in the sectors where there was agreement. The foregoing notwithstanding, on December 27 the President of the Haitian Section sent written notice to the President of the Dominican Section that, in spite of what was established in minute No. 91, the Haitian Section could not continue the construction of the boundary posts because such was the decision of its Government. (See annex No. 5.)

11. Due to this, in compliance with orders of the Dominican Government, the Dominican Legation in Port-au-Prince addressed to the Department of Foreign Relations of Haiti a note setting forth substantially the following: That the Dominican Government had received with profound surprise the notice of the stoppage of this work, a surprise which had been accentuated by the consideration that the stoppage, according to the statement of the President of the Haitian Section, was due to orders of the Haitian Government; that the Dominican Government not only desired an explanation of the motives for this grave decision but invited the Haitian Government to order that this and other work pending with the Haitian Section be resumed at the earliest possible moment.

12. This note was deposited on January 22, 1931, with the Haitian Department of Foreign Affairs, which answered it on March 5, stating that the order to suspend this work had not been given by the Haitian Government, which was most favorably disposed toward the conclusion of the work. (See annexes 6 and 7.)

13. Although it is difficult to believe that a step of such importance could have been taken freely by the President of the Haitian Section in contradiction of the agreements which he, acting within his powers, had signed in minute No. 91, it is a fact that the Haitian

Government denied having given such an order to Engineer L. Roy, whose statement it contradicted; but, on the other hand, the Haitian Government did not state when the work would be resumed nor, up to the present time, has it ordered its resumption, notwithstanding the cordial requests which the Dominican Government has subsequently made.

14. From all of the foregoing, it is seen in an incontrovertible manner that the Dominican Government has shown permanent and vigorous good will in the execution of the frontier treaty, faithfully complying with all its obligations and encouraging the Haitian Government, by all the means at its disposal, to behave in the same way.

15. After making this categorical statement, based on facts truly set forth in this Memorandum, we must call attention to the fact that, in order to avoid prolixity, we have omitted the relation of an endless number of facts and circumstances which arose in the course of the work of demarcation, in all of which the Dominican Government not only complied with its obligations but also amply assisted the Haitian Government in complying with its obligations.

16. Nevertheless, it will be well to mention a declaration of Engineer Roy, that in which he states that, owing to the excitement noticed among the inhabitants of Tête-à-l'Eau due to the course which the line was to follow, he had stopped the work of demarcation assigned to the Haitian Section in that region. In fact, as can be seen in annex No. 8 (note of August 26, 1930, of the Haitian Legation in Santo Domingo to the Department of Foreign Affairs of the Dominican Government), Engineer Roy, President of the Haitian Section of the Frontier Delimitation Commission, stopped during that month the demarcation work assigned to the Haitian Section and so notified his Government, which, in its turn, so informed the Dominican Government by means of the note referred to. It is important to note that the motives adduced for the stoppage of the work did not really exist (see annex No. 9), and that the excitement of the Haitian residents of those sections must have been due to other causes which have nothing to do with the Dominican authorities; and, moreover, that if these things had taken place, they should not have caused the stoppage of the work of demarcation. From that note, it is clearly seen also that, contrary to what the Haitian Chancellery declares in its note of March 5 (annex No. 6), the Haitian Government knew as early as August 1930 that the work of its section had been stopped, a step which, if it was not ordered by the Haitian Government, at least has been continued by it in spite of the insistence with which it has been invited to resume and finish that work.

17. Similar excitement was produced among Dominican citizens in the Bánica region but, nevertheless, the Dominican Government did not stop the work assigned to its section, because it knew that the line

of January 21, 1929, would deviate at times to the west and at other times to the east of the existing frontier line, and because it was confident that the Dominican proprietors whose fields passed into Haitian territory would enjoy in the Haitian State all the protection of the law, in the same manner as all those proprietors whose fields passed into Dominican territory, by virtue of the new frontier line, would enjoy the protection of the law in the Dominican Republic.

18. But if the Haitian Government has shown little diligence in the execution of the provisions of the treaty of January 21, it has, on the other hand, thought itself authorized to go and occupy lands which have been and are Dominican, and which will continue to be such by virtue of the stipulations of the treaty. And it has gone and occupied, moreover, lands which are now Dominican but will change and become Haitian by virtue of the treaty, without taking into account, as has been shown by the Dominican Government, that until the work of demarcation is finished and accepted by both governments, the armed forces and the civil authorities must not act beyond the limits fixed for them respectively by the present frontier line.

19. These extra-limitations, encouraged or tolerated by the Haitian Government, which in this case means the same thing, have been the cause of endless frontier incidents which occurred mostly in 1930 and up to the present in 1931, and, although it has not been shown that the Dominican authorities have indulged in those extra-limitations, the Dominican Government has wished to attribute them to the confusion which may have arisen on the part of Haitian and Dominican officials as to what is the line that they must take into consideration as regards their duties; and, in order to put an end to these difficulties, it has invited the Haitian Government (annex No. 9), to order its troops and its authorities to abstain from acting in places other than those where they did so prior to January 21, 1929.

20. That invitation has been unproductive, for not only have the Haitian forces continued to dispatch patrols into Dominican territory and the Haitian civil authorities continued to carry on various activities within our territory, but they have also established sentry posts in certain Dominican points such as Tierra Fría de Mallín, Banano, etc., and have occupied Dominican sections such as those of Federico, Masogoy, etc.

21. After many months of useless requests made by the Dominican Government to the Haitian Government that the latter order the completion of the work of demarcation assigned to it and that, meanwhile, it abstain from performing acts of sovereignty in Dominican territory, the Dominican Government has found that the Haitian Government, ignoring these just requests, has established those sentry posts

which are mentioned in the previous paragraph, and has occupied various Dominican sections.

22. In view of these grave circumstances, the Dominican Government gave orders to the Dominican Legation at Port-au-Prince to address to the Department of Foreign Affairs a note containing the following: That the Dominican Government is informed that in the Dominican section of Tierra Fría de Mallín, a Haitian sentry post is operating; that the Garde d'Haiti, making use of plans and reports furnished to its headquarters by Engineer L. Roy, has tried to take possession of Dominican points such as Tierra Fría de Mallín, Federico, and yet others, and the Haitian authorities are frequently penetrating into Dominican territory to patrol it, reconnoiter, etc.; that, in view of this, the Dominican Government calls the attention of the Haitian Government to the fact that these acts constitute grave violations of the respect due to the existing frontier line and invites it to issue immediately the orders necessary for the withdrawal from Tierra Fría de Mallín of the sentry post which is there and for the abstention of the Haitian authorities from penetrating into Dominican territory; that the Dominican Government informs the Haitian Government that it has ordered the National Army to oppose every violation of the frontier line which may be attempted by the Haitians, leaving to the Haitian Government the responsibility for the unfortunate events which may take place if the latter does not pay attention to this request; that the Dominican Government sincerely laments that it is compelled to insist to the Haitian Government upon the necessity that the latter maintain its forces within the limits set by the existing frontier line; that the Dominican Government, in view of the fact that the work of the Haitian Section has been officially stopped, has notified the Chargé d'Affaires a. i. to oppose the activities in which said Section desires to engage in Dominican territory until he receives information from the Dominican Government that such work may be permitted; that the Dominican Government again invites the Haitian Government to order the conclusion of the work which the Haitian Section has pending; and—finally—that the Dominican Government reiterates to the Haitian Government the assurances of its firm friendship and unvarying disposition to seek that the harmonious relations between both peoples be daily intensified. (See annex No. 10.)

23. This note was presented to the Haitian Chancellery on May 19, and, when the Dominican Government expected that the Haitian Government, recognizing the absolute justice and truth of everything requested and stated in it, would order withdrawal from the territory improperly occupied and would hasten to renew the fulfillment of the obligations imposed by the treaty of January 21, it received confiden-

tial advice that 200 Haitian soldiers were marching toward the frontier on May 29, 1931.

24. The attitude of the Dominican Government toward this news was that which is shown by the following telegram addressed to our Legation in Port-au-Prince:

"Dominican Legation, Port-au-Prince. Dominican Government surprised attitude Haitian Government sending troops frontiers, the Frontier Treaty being in execution and the Treaty Peace, Amity of February 20[11] being in force, since Dominican Government assures categorically not having committed any act justifying such despatch troops. Dominican Government is disposed to defend integrity national territory, but hopes that all the difficulties can be solved by pacific and cordial means by both Governments. Ask explanations Haitian Chancellery and transmit them urgently".

When our Chargé d'Affaires a. i. in Port-au-Prince requested these explanations, the Secretary of State for Foreign Affairs of Haiti answered that he knew nothing about the matter. Nevertheless, it is true that those 200 soldiers marched to reinforce the frontier.

25. It is significant that the same day that these troops were mobilized, the Haitian Chancellery, in answer to the note of the 19th, delivered to our Legation in Port-au-Prince a note containing the following: That the note of the 19th had disagreeably surprised the Haitian Government in view of the efforts which it had been making to increase cordiality between the two countries; that the new Secretary of State for Foreign Affairs (Mr. Au. Leger), had assumed the portfolio only a few days before but would examine the frontier dossier in order to inform the Dominican Legation in Port-au-Prince of the point of view of the Haitian Government concerning the question which is the subject of the note under reply; and that the Haitian Government hopes that the Dominican Government will not permit the acts of hostility announced in that note, which would be contrary to the amity which the Dominican Government affirms.

26. It is clear that the Haitian Government has avoided reference to the concrete points enumerated in the note of May 19, that it has not ordered its forces to retire from the points improperly occupied, and that it considers as an announcement of acts of hostility the statement that the Dominican Government has ordered the army to prevent any new violation of the frontier line and any unauthorized act of the Haitian Section of the Delimitation Commission.

27. To summarize, the Haitian Government has received notification from the Dominican Government inviting it to withdraw from land improperly occupied, not to permit its armed forces and its civil

[11] Signed February 20, 1929, League of Nations Treaty Series, vol. cv, p. 215.

authorities to continue violating the frontier line, to resume compliance with the obligations imposed by the treaty of January 21, and to take note of the fact that the Dominican Government has given orders to its army to prevent any violation of the frontier line; and, in the face of this notification, the Haitian Government has not withdrawn its forces from the points improperly occupied, has offered no explanation regarding the basic points of the matter, and has considered as an announcement of acts of hostility the fact that the Dominican Government has ordered its army to oppose every new violation of the frontier line.

28. From all the foregoing it appears, likewise in an incontrovertible manner, that while the Dominican Government has complied with all the obligations which it assumed by the treaty of January 21, and has sought to preserve and promote, on the basis of reciprocal respect, the existing Dominican-Haitian relations,—the Haitian Government has abandoned compliance with the obligations which it assumed by that treaty, has committed and is committing grave violations of the frontier line to the prejudice of the Dominicans, and has revealed ostensibly its design to persist in such an attitude, without any indication that it has given any heed to the just demands of the Dominican Government or the solemnity of international treaties which it has signed with this Republic for the purpose of putting a definitive end to the frontier question and for maintaining with it loyal amity.

29. Just now, while the present memorandum is being drafted, the Dominican Government receives notice that the Haitian forces have continued to occupy Dominican territory in the frontier region. Therefore, nothing can be more grave than the situation created by the Haitian Government for the Dominican Government, whose obligation to preserve, conserve, and retain the national territory, is a supreme obligation which cannot be abandoned for any reason and in defense of which it has the unavoidable duty of making every sacrifice.

30. Consequently, the Dominican Government considers that the only method of avoiding the occurrence of the friction which the Haitian Government is provoking is compliance by the latter with the request which has been made to it that it withdraw from the land of which it has improperly taken possession.

31. For the Dominican Government, which has given and is giving the highest evidence of its desires to maintain peace with the Republic of Haiti, it will be painful to be obliged to resort to extremes to defend and retain its territory in compliance with the most sacred of its duties. And it will be yet more so that the United States should become involved in this friction, as is to be deduced from the text of the telegram sent by the State Department to the Legation in Santo Domingo,

in accordance with which "any act of aggression against the (Haitian) Garde would consequently be a matter of immediate and grave interest" to the American Government.[12]

32. Consequently, if the mediation initiated by the American Government does not result in the Haitian Government paying attention to the just requests which have been made to it to abandon the lands of which it has improperly taken possession, the Dominican Government hopes that the American Government will not permit officers of the American Army to oppose the action which the Dominican Army may take in favor of national integrity, in compliance with an unwaivable patriotic mandate.

33. This is the proper moment to call attention to the fact that high officers of the Army and Navy of the United States of America have had occasion to proclaim the justice of the Dominican view of the frontier question, and especially of the effort which it has made to have Haiti respect the line of the *status quo*, marked in 1912, by the 2nd Division of the General Staff of the War Department in Washington,[13] by virtue of the mediation solicited by Haiti and accepted by the Dominican Republic. (See Annexes 11 and 12, Memorandum of August 11, 1919, of Colonel Rufus H. Lane to the Military Governor, and note of Colonel A. T. Marix, in charge of the Department for Foreign Affairs of the Dominican Republic, to the Minister of Haiti in Santo Domingo, on April 12, 1921.)

34. Finally, the Dominican Government expresses the wish that the mediation of the American Government be directed to the end that the Haitian Government resume compliance with the obligations which it assumed by the treaty of January 21, 1929, to the end that the execution thereof be terminated, and that the old and troublesome frontier controversy be ended.

738.3915/430

The Minister in Haiti (Munro) to the Acting Secretary of State

No. 182 PORT-AU-PRINCE, August 1, 1931.
[Received August 4.]

SIR: I have the honor to report that the Haitian Minister for Foreign Affairs informed me yesterday that the Haitian Government does not intend to proceed further with the demarcation of the Haitian-Dominican boundary under the provisions of the Haitian-Dominican Treaty of January 21, 1929. He said that this Treaty

[12] See telegram No. 20, May 29, 2 p. m., to the Minister in the Dominican Republic, p. 771.
[13] See *Foreign Relations*, 1912, p. 368.

was a disastrous one from the point of view of the Haitian Government since it ceded to the Dominican Republic forty or fifty thousand acres of fertile land which had always formed a part of Haiti and which were exclusively occupied by Haitian citizens. He felt that no Government here should have concluded such a Treaty in view of the provisions of the Constitution and of the Haitian-American Treaty of September 16, 1915,[14] which forbid the cession of territory to any foreign power.

The Minister made this statement out of a clear sky and not in response to any inquiry or suggestion on my part, as I had had no occasion to mention the boundary matter to the Haitian Government for some months. I replied that I should be exceedingly sorry if the Haitian Government decided to adopt such an attitude. I pointed out that boundary settlements were always unpopular in Latin American countries because public opinion invariably had an exaggerated idea of its own Government's rights and an inadequate understanding of the fact that the other side also had claims and rights which had to be considered. I referred to the many difficulties and even wars which the boundary question had caused in the past and said that the failure of the Haitian Government to abide by a Treaty which had been duly signed and ratified or to recognize the procedure which that Treaty provided for the settlement of disputes arising under it would cause a most unfortunate impression abroad.

Mr. Leger said that the Haitian Government had no idea of repudiating the Treaty. It intended however to refuse to accept the results of the work already accomplished by the boundary commission since he did not feel that the Treaty imposed upon the Government an obligation to accept the commission's work without subsequent consideration. So far as the arbitral procedure provided by the Treaty was concerned, he felt that there would be no occasion to resort thereto until the two Governments should agree upon the points which were to be submitted to arbitration. The Haitian Government would be willing to discuss a new demarcation of the boundary under the provisions of the Treaty if the Dominican Government adopted a reasonable attitude. Mr. Leger said that he felt that President Borno had erred in good faith in signing the Treaty but that the Haitian Government should never have concluded such an agreement without examining the line on the ground before committing itself to a detailed description thereof.

I again expressed the opinion that a failure to carry out the terms of the Treaty would be exceedingly unfortunate.

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[14] *Ibid.*, 1916, p. 328.

I may say that the Dominican Minister has on several occasions discussed the boundary question with me and intimated that he hoped to have this Legation's support and assistance in the negotiations which he was about to undertake with the Haitian Government. I understood that these negotiations have not yet been begun because the Minister is still awaiting final instructions from Santo Domingo. I have told Dr. Henríquez y Carvajal that we should of course regard with a friendly interest the progress of the negotiations between the two Governments and should be very glad if the boundary matter could be definitely disposed of. I also told him in the strictest confidence that I understood that there were no Haitian Garde posts or Garde patrols in any territory which could possibly be regarded as in dispute and emphasized the necessity of keeping Dominican military forces away from the disputed areas in order to avoid any conflict.

I am sending a copy of this despatch by air mail to the American Legation at Santo Domingo.

Respectfully yours, DANA G. MUNRO

738.3915/429

The Secretary of State to the Minister in the Dominican Republic (Schoenfeld)

No. 177 WASHINGTON, October 28, 1931.

SIR: The Department acknowledges the receipt of your confidential despatch No. 436, dated July 13, 1931, transmitting an undated memorandum of the Dominican Government, requesting the mediation of this Government in the interest of a settlement of the present disagreement between the Haitian and Dominican Governments over the delineation of their common boundary.

In response to the Dominican Government's memorandum under reference, the Department desires you to explain to the Dominican Government its point of view as set forth below leaving a memorandum thereof should that Government so desire and should you perceive no objection thereto:

"The American Minister has the honor to inform you that he has been instructed by his Government to acknowledge the receipt of the undated memorandum which the Dominican Government addressed to his predecessor some weeks ago, setting forth its position in the boundary problem between the Dominican Republic and the Republic of Haiti since the signing on January 21, 1929, of the Dominican-Haitian frontier treaty.

"The American Government has examined that memorandum with the care its importance demands. It has noted the desire of the Dominican Government that the mediation of the Government of the United States be directed to the end that the Haitian Government resume compliance with the obligations which it assumed by the Treaty of January

21, 1929, in order that the execution thereof be terminated and that the old and troublesome frontier controversy be ended. It is furthermore observed that the Dominican Government recommends that should the proposed mediation by the Government of the United States fail to induce the Government of Haiti to comply with the request of the Government of the Dominican Republic that it abandon lands of which it has allegedly taken improper possession, the Dominican Government hopes that the Government of the United States will not permit officers of its armed forces (who may be serving with the Garde d'Haiti) to oppose the action which the Dominican Army may take in favor of national integrity.

"Mr. Schoenfeld is directed to point out in response that the Government of the United States did not proffer its mediation in the controversy which unfortunately had been renewed between the two sister republics when it dispatched to this Legation its telegraphic instruction of May 29, 1931. The purpose of the United States Government was only to indicate its apprehension upon the receipt of information regarding alleged instructions given to the Dominican Army with respect to the attitude which it should assume on the frontier, and to bring to the attention of the Dominican Government not only the natural concern which the Government of the United States entertained with respect to a situation which might have tended to impair the good relations between the Dominican Republic and Haiti but also to point out the fact that members of the United States armed forces are at present incorporated into the Garde d'Haiti, in consequence of which any operations involving that organization would be of immediate and grave interest to the Government of the United States. It was not intended that this friendly message should be interpreted by the Government of the Dominican Republic as a proffer of good offices—which, in fact, had not been solicited by either the Dominican Republic or the Republic of Haiti.

"Moreover, the American Government holds the opinion, after a careful study of the memorandum under acknowledgment, that measures to meet the present situation are provided for by the Dominican-Haitian frontier treaty signed at Santo Domingo January 21, 1929, Articles 4 and 7 of which seem in its opinion to contain provisions whereunder a satisfactory adjustment can be arrived at.

"At the same time the American Government feels that in candor and in the interests of good understanding it should point out that information which it considers to be authentic indicates that no disposition has been made of Haitian forces directed against the Government of the Dominican Republic. It would appear, therefore, that the controversy which has arisen with respect to the demarcation of the common boundary line is limited in its scope to a situation which is adequately provided for by the treaty itself.

"In consequence, Mr. Schoenfeld has been directed to express the hope of his Government that through direct negotiations or through the employment of the methods prescribed in the treaty, the two Governments will find it possible harmoniously to adjust the situation to which allusion has been made, thus bringing to a satisfactory conclusion the work so admirably begun by the boundary treaty of 1929."

Very truly yours, For the Secretary of State:
FRANCIS WHITE

580766—46——57

738.3915/434

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

No. 33 SANTO DOMINGO, October 28, 1931.
[Received November 9.]

SIR: I have the honor to inform the Department that in conversation with the Minister of Foreign Affairs today, I inquired as to the present status of the relations between the Dominican Republic and Haiti.

Dr. Henríquez Ureña told me that this situation, in his view, had a dual aspect namely, with regard to the matter of the frontier between the two countries and, on the other hand, with regard to their general political relations.

As to the former, the Dominican Government was anxious to terminate the boundary dispute which had been going on for some sixty years, not only for the sake of clarity as to the frontier itself but also in order to minimize the recurring and apparently inevitable friction in the frontier zone resulting from uncertainty as to the location of the boundary. There had been considerable infiltration of Haitians into Dominican territory and in some cases Haitian municipal authorities had even been set up in that territory. Dr. Henríquez Ureña . . . said that, unfortunately, the Haitian-Dominican Boundary Treaty of 1929 was far from scientific in its description of the frontier line to be delimited. Moreover, boundary marks already established in the northern part of the line had been destroyed by floods in some places and the Haitian Government seemed disinclined to restore them. So far as could be judged here in the light of information from the Dominican Legation in Port-au-Prince and from other sources, the Haitian Government was deliberately following its traditional policy of keeping the boundary question open. Dr. Henríquez, however, called my attention to the peculiar political conditions in Haiti which had not long since occasioned attacks by the Opposition to the Haitian Administration upon the legality of a treaty concluded without the sanction of the Haitian Congress not then in existence. He added that perhaps this fact had made it seem inadvisable for the Haitian Government to show greater energy in the execution of the treaty.

The Minister told me in confidence that both he and his father, Dr. Francisco Henríquez y Carajal, Dominican Minister in Port-au-Prince, were in hopes of arranging for direct personal conversations as to the boundary question between the Dominican and Haitian Ministers of Foreign Affairs, such conversations possibly to be initiated in Port-au-Prince and continued in this Capital. Dr. Henríquez Ureña said he had long standing and friendly personal relations with Monsieur Léger, Haitian Minister of Foreign Affairs, and with other

Haitian officials; he was therefore hopeful that the efforts now being made to prepare the way for such conversations would be facilitated. He thought his visit to Port-au-Prince would not take place before December or January next.

As to the other aspect of Dominican-Haitian relations, the Minister of Foreign Affairs said that the Dominican Government was conscious of an attitude rather less than friendly on the part of the Haitian Government towards the Trujillo Administration. The explanation for this state of affairs was not very clear even in the mind of the Dominican Government, but the Minister was inclined again to attribute it to domestic political conditions in Haiti.

. . . . . .

All these circumstances, the Minister pointed out, indicated the necessity for a continued effort on the part of this Government to clear up existing misunderstandings with its neighbor, with whom the Dominican Government had no desire but to live in perfect and fraternal amity. It was the Minister's intention, should the conversations above mentioned eventuate, also to sound the Haitian Government at that time as to the possibility of clearing the political atmosphere and eliminating the present state of mutual suspicion.

A copy of this despatch is being transmitted to the Legation in Port-au-Prince for its strictly confidential information.

Respectfully yours, H. F. ARTHUR SCHOENFELD

738.3915/435

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

No. 46 SANTO DOMINGO, November 3, 1931.
[Received November 9.]

SIR: I have the honor to acknowledge receipt of the Department's instruction No. 177 of October 28, 1931, embodying a memorandum setting forth the Department's views with reference to the undated memorandum of the Dominican Government transmitted to the Department with this Legation's despatch No. 436 of July 13, 1931, on the subject of the possible mediation of the Government of the United States in the controversy between the Haitian and Dominican Governments over the frontier between the two countries.

I respectfully suggest for the Department's consideration that, in the light of my despatch No. 33 of October 28, 1931, it may be unnecessary at this time to speak to the Dominican Minister for Foreign Affairs in the sense of the memorandum quoted in the Department's instruction under acknowledgment. I should welcome the Depart-

ment's further instructions as to this point after it has received my despatch No. 33 which goes forward in the same pouch with the present despatch.

I may shortly have an opportunity, however, and in that event will take it, to discuss with the Minister of Foreign Affairs the supposed proffer of mediation on the part of the Department. The Dominican memorandum above-mentioned, in paragraph 32 thereof, refers to "mediation initiated by the American Government", but I am inclined to think that expression was used carelessly by the then Dominican Minister for Foreign Affairs who, so far as I can judge without having his personal acquaintance, was less well equipped to understand and deal with the boundary controversy with Haiti than is his successor who is now in office.

I desire respectfully to call the Department's attention to the fact that, in the opinion of this Legation, Articles 4 and 7 of the Haitian-Dominican Boundary Treaty of January 21, 1929, do not appear to be relevant to the present state of the controversy because, so far from there being at present a controversy in the body of the Delimitation Commission as to the actual delineation of the frontier, the Haitian Section of the Commission has evidently ceased operations completely, as reported in my despatch No. 33 above-mentioned. Articles 4 and 7 of the Convention expressly refer to differences arising in the body of the Delimitation Commission, whereas Article 18 of the same Convention has reference to "difficulties of any nature whatever between the two Governments in relation to the present treaty". It appears to me that in the negotiation of this Treaty the Dominican Government was out-maneuvered by the Haitian Government in that, by the simple expedient, on the part of the latter, of preventing the Haitian Section of the Delimitation Commission from operating, the only recourse left to the Dominican Government is to invoke the general arbitration provisions of Article 18. Since this Article is drawn in most general terms it is consequently easy for the Haitian Government indefinitely to defer any concrete action looking to arbitration, no provision being made for the formulation of the *compromis* or as to the manner in which the tribunal of arbitration shall be set up and operate. The provisions of Article 4 and those of Article 7 *et seq.*, pertaining to the functions of the International Mixed Commission, seem therefore wholly illusory so long as the differences to be adjudicated do not refer specifically to disagreements between the Haitian and the Dominican Sections of the Delimitation Commission.

A copy of this despatch is being forwarded to the Legation at Port-au-Prince for its strictly confidential information.

Respectfully yours, H. F. Arthur Schoenfeld

738.3915/435

The Secretary of State to the Minister in the Dominican Republic (Schoenfeld)

No. 192 WASHINGTON, November 25, 1931.

SIR: Consideration has been given to your despatch No. 46 dated November 3, 1931, referring to a memorandum which the Department transmitted to you in its instruction No. 177 of October 28, setting forth its views with reference to the possible mediation of the Government of the United States in the controversy between the Haitian and Dominican Governments over the delineation of their common boundary.

It is noted that you feel that there is reason to believe that the boundary question may shortly be the subject of direct negotiation between the Dominican and Haitian Ministers of Foreign Affairs, and that for this reason it may be unnecessary at this time to bring to the attention of the Dominican Government the sense of the Department's memorandum referred to above.

In view of your suggestion you are authorized to defer discussing this matter with the Dominican Government at the present time. The Department feels that it is important, however, for the Dominican Government to understand clearly that the American Government has not at any time made a proffer of mediation in the settlement of this boundary dispute, and believes that it would be desirable therefore for you to bring out this point in an informal conversation with the appropriate Dominican authorities when a suitable occasion may arise.

Very truly yours, For the Secretary of State:
FRANCIS WHITE

738.3915/437

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

No. 101 SANTO DOMINGO, December 2, 1931.
[Received December 7.]

SIR: I have the honor to acknowledge receipt of the Department's instruction No. 192 of November 25, 1931, (File No. 738.3915/435), and to report that in conversation with the Minister for Foreign Affairs today I called attention to the erroneous reference, in the memorandum handed to my predecessor here by the predecessor of the present Minister of Foreign Affairs in July last, to a supposed proffer of mediation by the Government of the United States in the settlement of the

boundary dispute between Haiti and the Dominican Republic. I made it clear that the American Government has not at any time proffered such mediation. Dr. Henríquez Ureña confirmed the surmise referred to in the third paragraph of my despatch No. 46 of November 3 last, that the use in that memorandum of the word "mediation" was meant to be taken in a vernacular rather than in a strictly diplomatic sense. He added that he thought the memorandum might have been drawn more carefully in this respect.

The Minister told me that pending the outcome of the January congressional election in Haiti, he believed there was little hope of making any progress in the boundary dispute between this Republic and Haiti. Consequently, he hardly expected to be able to take the matter up more actively with the Haitian Government until the latter part of January next, at which time he apparently intends, if possible, to begin the direct conversations mentioned in my despatch No. 33 of October 28.

Respectfully yours, H. F. ARTHUR SCHOENFELD

Honduras and Nicaragua[14a]

715.1715/411 : Telegram

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

MANAGUA, January 21, 1931—5 p. m.
[Received 10:39 p. m.]

17. My telegram No. 15, January 16, 5 p. m.[14b] The boundary protocol was signed this afternoon. Its text will not be made public here until after it has been submitted to Congress for ratification.

Repeated to Tegucigalpa.

HANNA

715.1715/423 : Telegram

The Chargé in Nicaragua (Sumner) to the Secretary of State

MANAGUA, February 3, 1931—6 p. m.
[Received 10:40 p. m.]

27. I had a long conversation this afternoon with the Minister for Foreign Affairs on the question of the boundary protocol with Honduras. This matter has been dormant for several days because President Moncada has been absent from Managua since January 25th and

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[14a] Continued from *Foreign Relations*, 1930, vol. I, pp. 361–377.
[14b] Not printed.

only returned today. A meeting of the Liberal members of Congress is to be held in the Presidential Palace tomorrow afternoon, at which time the President and the Minister for Foreign Affairs will explain the provisions of the protocol to the Liberals of Congress and attempt to unite the party in so far as may be possible in support of the protocol. The Minister for Foreign Affairs told me that the present intention is to submit the protocol to Congress on Thursday, February 5th.

The Minister stated that he was hopeful that the result of the conference would be to secure the support of the great bulk of Liberal members for the protocol. He added, however, that there were certain Liberals whom it would be difficult to placate.

I have also talked with ex-President Adolfo Diaz as to the attitude which the Conservative Party may be expected to take. He stated that in view of the fact that the text of the treaty has not been made public here and is not known, the attitude of the Conservative members has not been crystallized.

In view of the fact that the Liberals have a two-thirds majority in Congress, it would seem that the fate of the treaty depends primarily on the ability of President Moncada and the Minister for Foreign Affairs to line up the Liberals in support of the protocol. The Minister for Foreign Affairs reiterated that he and the President would do everything in their power to insure a favorable outcome.

I will keep the Department advised of developments.

Repeated to Tegucigalpa.

SUMNER

715.1715/425 : Telegram

The Chargé in Nicaragua (Sumner) to the Secretary of State

MANAGUA, February 5, 1931—3 p. m.
[Received 6 : 48 p. m.]

28. My telegram No. 27, February 3, 6 p. m. President Moncada held a long conference with most of the Liberal deputies and senators yesterday afternoon. I am reliably informed that the President sought to impress on the confreres the advantages which Nicaragua will gain from ratification of the boundary protocol and the importance which he attaches thereto, but I understand that a number of the confreres were not convinced.

In view of the criticism which delay in presenting the protocol has provoked and in view of the fact that the text has now been made public in Honduras the Nicaraguan Government felt that it would be unwise to delay any longer in sending the protocol to Congress. The protocol was accordingly submitted to Congress this morning.

It is the hope of the Minister for Foreign Affairs that the protocol will remain in committee for a time during which further efforts will be made to line up the recalcitrant members of the Liberal Party.

Criticism of the pact continues in the newspapers and *La Prensa* the Conservative organ which has hitherto confined itself to printing signed articles and letters against the protocol has now come out with a bitter attack on the government for its delay in making public the text of the agreement.

The final outcome seems to depend principally on President Moncada's ability to hold his party in line. As the Department knows he has many enemies in his own party and it may be that some of them will make use of the protocol in such a way as to embarrass him. However, if he puts forth his best efforts as I am assured he is doing he should be able to secure ratification.

Repeated to Tegucigalpa.

SUMNER

715.1715/426 : Telegram

The Minister in Honduras (Lay) to the Secretary of State

TEGUCIGALPA, February 10, 1931—10 a. m.
[Received 1:45 p. m.]

32. My telegram No. 25, February 3, 10 a. m.[14c] Honduran Congress after third and final reading and some discussion ratified yesterday, by unanimous vote and without reservations, the Honduran Nicaraguan boundary protocol.

Repeated to Managua.

LAY

715.1715/430 : Telegram

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

MANAGUA, February 17, 1931—1 p. m.
[Received 2:40 p. m.]

33. Legation's telegram No. 28, February 5, 3 p. m. Present indications are that the boundary protocol will not be ratified unless sentiment in the Nicaraguan Congress can be speedily changed. All the newspapers here are with the opposition. The President's party is divided and rebellious. The Conservative Party is mainly concerned with turning the situation to its partisan advantage and its leaders oppose giving aid to President Moncada. The President and the

[14c] Not printed.

Minister for Foreign Affairs have repeatedly and urgently appealed to me for support and I am giving them appropriate assistance.

The sane and sound views of the more sober and enlightened who are supporters of the protocol are overwhelmed by the noisy and superficial propaganda of the opposition. Something that will turn the tide is urgently needed. The Minister for Foreign Affairs has requested me to submit the following suggestions to the Department:

(1) That I be authorized to make a formal statement setting forth the Department's attitude in favor of the protocol.

(2) That the Department use its good offices to urge the Government of Honduras to issue a formal statement setting forth that the presence of the Boundary Commission on the border will impose upon Honduras the obligation to increase its armed forces in that region by way of furnishing its proportionate share of protection for the Commission.

(3) That the Department authorize me to issue a statement setting forth the desirability that Nicaragua should set her house in order in anticipation of the possible construction of the Nicaraguan interoceanic canal.

If the statements above suggested can be made they might have a decisive effect. If the Department should prefer, I could submit statements (1) and (3) to the Minister for Foreign Affairs and authorize him to use them as he sees fit. Statement (3) will have a strong appeal in view of the great popular desire for the canal and the sound theory that the settlement of the boundary dispute and the restoration of peace along the boundary will enable Nicaragua to concentrate its energies on obtaining the maximum advantage from the construction of the canal.

The Government of Honduras can be of great assistance if it will issue a strong and unequivocal statement as suggested in (2) above. I can perceive no valid objection to the statement and that Government's interest in saving the protocol is of itself sufficient reason for its doing so.

Repeated to Tegucigalpa.

HANNA

715.1715/430 : Telegram

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

WASHINGTON, February 19, 1931—5 p. m.

19. Legation's 33, February 17, 1 p. m. The Department is of the opinion that the action of the Nicaraguan Congress with respect to the Honduras–Nicaragua boundary protocol should be determined by the merits of the settlement contemplated by the protocol and

should not be influenced by the views of a third State. It is furthermore of the opinion that the provisions of the protocol should be made public in Managua so that the press and general public may inform themselves accurately of its provisions. In so far as the Department is now informed such action has not been taken, unless publicity followed its presentation to Congress.

The Department is, however, most hopeful that the protocol may be accepted by both Governments and it has gladly extended its good offices during many months in the effort to bring about the signature of that document. There would appear to be no objection to a public statement by the Nicaraguan Government of the cooperation extended by this Government in this respect.

The Department would, of course, expect the Government of Honduras, as well as the Government of Nicaragua, to extend adequate protection to the Joint Boundary Commission, presided over by an American citizen, in its operations in the boundary zone. It will accordingly request the Legation at Tegucigalpa informally to suggest to the Government of Honduras the advisability of issuing an appropriate statement at this time on this subject as an act tending to facilitate favorable action on the protocol by Nicaragua.

The Department does not desire to make any statement which might be construed as indicating a determination now arrived at to construct the Nicaraguan Canal, when the Board of Officers now at work on that problem have not yet rendered their report.

While the Department is not prepared to authorize the issuance of any public statement, you may in your discretion discuss the matter with such persons as may be in a position to render assistance, in both parties, pointing out the obvious advantages of disposing of this long pending source of controversy between the two Governments which would seem to lift it above any factional or party considerations.

STIMSON

715.1715/430 : Telegram

The Secretary of State to the Minister in Honduras (Lay)

WASHINGTON, February 19, 1931—5 p. m.

13. The following telegram to Managua is repeated for your information and for action by you in accordance with paragraph 3. Please report results.

[Here follows text of telegram No. 19, February 19, 5 p. m. to the Minister in Nicaragua, printed *supra*.]

STIMSON

715.1715/431 : Telegram

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

MANAGUA, [4 p. m.]
[Received February 20, 1931—8 : 20 p. m.]

35. The following telegram has been sent to Tegucigalpa:

February 20, 4 p. m. This Government plans to send Senator Paniagua Prado, chairman of the Senate Committee on Foreign Relations, to Tegucigalpa in the immediate future to endeavor to obtain from the Government of Honduras some further concession in the boundary matter. I understand he will suggest modifying the protocol so as to give Nicaragua the territory between the Cocos and Cruta Rivers and if he was given this concession will then suggest that the Government of the United States or the Supreme Court of the United States be requested to decide whether the award of the King of Spain [15] is legal.

Senator Prado is strongly opposed to the protocol, partly for the reason that he is not satisfied it represents the best terms for Nicaragua that might be obtained, and I understand that his mission to Tegucigalpa is primarily intended to enable him to study the situation personally for the effect it will have on him and the opposition here whether or not he succeeds in his mission. I understand that it is the purpose of the administration in the meantime to continue its efforts to obtain ratification of the protocol and that the probability of favorable action will be improved by Senator Prado's absence.

If the Government of Honduras contemplates issuing a statement as suggested in numbered paragraph 2 of my telegram February 17, 1 p. m., it may see fit to postpone doing so until an appropriate occasion during Senator Prado's visit there.

HANNA

715.1715/432 : Telegram

The Minister in Honduras (Lay) to the Secretary of State

TEGUCIGALPA, February 21, 1931—10 a. m.
[Received 1 : 50 p. m.]

39. The following telegram has been sent to the Legation at Managua:

February 21, 9 a. m. Your February 20, 4 p. m. Under instructions of the Department action was taken by me in accordance with paragraph 3 of Department's telegram No. 19, February 19, 5 p. m., to you before I received your telegram of February 20, 1 [4] p. m.[15a] President of Honduras accepted my informal suggestion and issued statement to press as follows:

"The Government of Honduras will increase its regular forces now patrolling our Nicaraguan frontier to the proportions nec-

[15] Award of December 23, 1906, *British and Foreign State Papers*, vol. c, p. 1096.
[15a] See telegram No. 35, from the Minister in Nicaragua, *supra*.

essary to provide complete protection for the Commission against any attack of the malefactors".

This statement was published this afternoon in local newspaper as a reply to a question in an interview with a reporter. The Honduran Chargé at Managua has been instructed to communicate it to the Nicaraguan Government also.

LAY

715.1715/439

The Minister in Nicaragua (Hanna) to the Secretary of State [15b]

No. 355 MANAGUA, March 6, 1931.
[Received March 12.]

SIR: Supplementing my telegram No. 35 of February 20 (4 p. m.) concerning the proposed visit of Senator Francisco Paniagua Prado on Special Mission to Tegucigalpa in connection with the settlement of the boundary dispute between Nicaragua and Honduras, I have the honor to report that Dr. Paniagua Prado left here this morning for Tegucigalpa accompanied by a Secretary and Dr. José Angel Ulloa, the Honduran Chargé d'Affaires in this capital.

I am transmitting herewith a copy and translation of the written instructions given to Dr. Prado.[15c] Paragraph 2 of his instructions states that his representations are not to modify the Protocol but to bring about more effective cooperation on the part of the Government of Honduras in matters connected with this subject. It would appear therefore that this Government has abandoned the idea it originally had, to suggest modifying the Protocol as set forth in my telegram in reference.

President Moncada gave me the enclosed memorandum of instructions when I saw him yesterday. He was not specific concerning the manner in which the Government of Honduras might improve the situation here and I judge that he hopes that the way in which this can be done may develop from Dr. Prado's efforts in Tegucigalpa. The President appeared to be hopeful that the Government of Honduras would find some way to pacify public opinion here and win votes for the approval of the Protocol in the Nicaraguan Congress. He seemed to think, in view of the powerful opposition to the Protocol in Nicaragua, responsibility for the time being at least had shifted to Honduras.

I believe public opinion here is beginning to change somewhat. The Liberal newspapers have about ceased to attack the Protocol. I am also informed that Liberals in Congress are less out-spoken in their

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[15b] Copy sent to the Minister in Honduras.
[15c] Not printed.

opposition. One Liberal Deputy with a strong following recently read to me a statement in strong support of the Protocol which he said he proposed to make public at a propitious moment during Dr. Prado's negotiations in Tegucigalpa. President Moncada is quietly continuing his efforts in behalf of the Protocol and a number of prominent Liberals are supporting him.

The Conservative newspapers have continued their campaign against approval of the Protocol and the mission of Dr. Prado. The matter has taken on such a partisan aspect that it will probably be a clean cut issue between the two parties. The leading Conservative members of Congress have refrained from declaring their opinion on the floor of Congress and they might yet take at least a passive attitude, but it is more probable that they will be openly opposed to approval of the Protocol. It would not be strange if this would result in uniting the Liberal Party to such an extent that it could obtain a majority for the Protocol in both Houses of Congress from among its own members. The leaders of the Liberal Party apparently are becoming more and more convinced that the defeat of the Protocol would be defeat of that Party.

I realize that it will be difficult for the Government of Honduras to hit upon some formula acceptable to sentiment there which will at the same time suffice to pacify sentiment here. At the same time, I very much fear the Protocol will not be approved by the Nicaraguan Congress unless some such formula is found. A small concession on the part of the Government of Honduras probably would be sufficient to turn the tide here. It would seem that the Government of Honduras could not treat lightly the responsibility which has been thrust upon it by this turn of events. The circumstances here seem to indicate quite clearly that the fate of the Protocol at this time is largely in the hands of the Government of Honduras.

The Nicaraguan Congress took a recess a few days ago but it will re-assemble in a few days and probably will be in session during Dr. Prado's stay in Tegucigalpa. President Moncada told me it is his intention, if Dr. Prado's negotiations proceed satisfactorily, to have the Protocol come to a vote during this ordinary session of Congress.

Respectfully yours, MATTHEW E. HANNA

715.1715/440 : Telegram

The Minister in Honduras (Lay) to the Secretary of State

TEGUCIGALPA, March 21, 1931—2 p. m.
[Received 10:38 p. m.]

51. The following telegram was sent to the Legation, Managua:

March 21, noon. President Mejia Colindres realizes that unless some concession, however slight, is made by the Honduran Govern-

ment to Nicaragua ratification of the protocol in Nicaragua will fail. I have pointed out to him that a great effort and probably a sacrifice may be necessary by the Government and Congress of Honduras but for a settlement both are more than justified. But remember he is not Ibanez or Leguia.

On the other hand I have tried to dissuade Prado from asking for too much but in spite of his instructions enclosed in your despatch No. 355 of March 6 [16] Prado submitted a memorandum suggesting that in a separate "interpretative" protocol the boundary line should be considered as running a few kilometers north of and parallel to the Coco River instead of running through the middle of its channel this change leaving the villages on the north bank in Nicaragua. He stated to me that these villages have always been Nicaraguan. Prado suggested also that the triangular territory between the Coco and Cruta Rivers be considered in Nicaragua. Prado insists that these would be very small concessions for Honduras but would mean much to Nicaragua and he feels that from his talks with a few prominent Honduran deputies that Congress and the public would offer no serious objection to granting them.

Last night Prado told me that after an hour's conversation with the President yesterday in the presence of his Cabinet he was told politely but positively by the President that a revolution against the Government here would be started if he, the President, agreed to Prado's proposals.

I have urged Prado to continue his discussions with the President in the hope that some alternative concession may be given more favorable consideration, something less likely to be interpreted as modifying the award. He says he has only suggested the minimum desired by the majority in the Nicaraguan Congress but will see the President again on Monday.

Prado does not realize or will not acknowledge that although the President and Congress want a settlement they would rather, in the existing political situation here, lose ratification in Nicaragua than grant a concession to secure ratification and thus run the risk of incurring the enmity of the Honduran public. By next session the ground might be prepared for Congress and the President to grant a concession to effect a settlement.

In Tegucigalpa it is quite evident to me from my conversations with him and the attitude he is taking here that Prado is following the policy stated in your telegram of February 20, 4 p. m.,[16a] and not the more cooperative and generous policy described in despatch above referred to. He keeps insisting on the illegality of the award and that some of its doubtful provisions cannot be left to interpretation by the Commission of Engineers.

LAY

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[16] See footnote 15b, p. 798.

[16a] See telegram No. 35 from the Minister in Nicaragua, p. 797.

715.1715/441 : Telegram

The Minister in Honduras (Lay) to the Secretary of State

TEGUCIGALPA, March 23, 1931—2 p. m.
[Received 9:35 p. m.]

52. The following telegram has been sent to the Legation, Managua:

March 23, 2 p. m. Prado now more reasonable and convinced that his suggestions would not be considered at present time. Neither he nor President have alternative acceptable proposals. Only hope now is that present sanctity for award in Honduras is not immutable and that Congress and press can be gradually convinced and satisfy present opponents that pride and slight modification of award must be sacrificed for the sake of settlement and bigger interests of the country, as was done in Guatemala–Honduras Boundary Treaty. I could discreetly talk informally to Hondurans along these lines but definite results could not be expected this year. Prado's conversations with prominent Hondurans helpful. Request Department's and your opinion by telegraph whether this procedure should be attempted.

Unfortunately President Mejia Colindres receives reports from Nicaragua and is convinced that protocol could be ratified if President Moncada really desired. Consequences failure ratification protocol do not deeply concern President or prominent Hondurans. He fears [*feels?*] morally certain that agreement to any change in award would be used as slogan for revolt. . . .

LAY

715.1715/441 : Telegram

The Acting Secretary of State to the Minister in Honduras (Lay)

WASHINGTON, March 24, 1931—6 p. m.

18. Your 52, March 23, 2 p. m. The Department would view with satisfaction any arrangement acceptable to both Honduras and Nicaragua, but considers inadvisable any attempt to influence the negotiations for the present at least until the views of both parties are more concretely defined so that it would be possible to work towards a solution agreeable to both.

Please repeat to Managua.

CARR

715.1715/446 : Telegram

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

MANAGUA, May 6, 1931—3 p. m.
[Received 9:14 p. m.]

64. President Moncada has re-submitted the Honduras-Nicaraguan boundary protocol (the documents of the original submission having

been destroyed in the recent fire) to the Nicaraguan Congress and there is a chance that it will be approved in the few remaining days of the session.

HANNA

715.1715/446 : Telegram

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

WASHINGTON, May 8, 1931—5 p. m.

111. Legation's 64, May 6, 3 p. m. The Department is highly gratified by your report that President Moncada has again submitted to the Nicaraguan Congress for approval the Nicaragua–Honduras boundary protocol, and it earnestly hopes that favorable action will be accorded it during the present session of that body.

It is believed by the Department that effective control over Sandino [16b] will be difficult if not impossible of accomplishment so long as the disputed boundary zone between the two republics can be availed of by him in his operations. The existence of a disputed frontier region has unquestionably made it additionally difficult for the Government of Honduras to render the cooperation which considerations of comity and the Central American Treaties obligate it to give. If Nicaragua should now ratify the protocol it is to be expected that Honduras would then be in a position to meet its responsibilities in this respect.

The wisdom and general desirability of the acceptance of this protocol are matters of course for the exclusive determination of the Nicaraguan Congress and Executive, and this Government does not desire by any act or statement to be placed in the position of appearing to influence that determination. Nevertheless, should such a course not seem inadvisable to you, you are authorized to convey the foregoing views to the appropriate authorities. Should you discuss the matter you may point out that the interest of this Government arises not only from its desire to see expedited the removal of a cause for dispute between the two republics, and from its own participation throughout an extended period of years at the request of both Governments in the negotiations looking toward that objective, but likewise and urgently from its conviction that any measure which will facilitate the restoration of peace to Nicaragua should be adopted when practicable.

STIMSON

[16b] Augusto Cesar Sandino, Nicaraguan bandit leader.

715.1715/448 : Telegram

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

MANAGUA, June 12, 1931—6 p. m.
[Received June 13—12:33 a. m.]

106. Department's 111, May 9 [*8*], 9 a. m. [*5 p. m.*] The Nicaragua-Honduras boundary protocol has been under discussion for some days in the Nicaraguan Congress. The opposition is active and strong in both political parties. President Moncada is in Masaya giving the matter his personal attention and I understand that he is still for approval.

HANNA

715.1715/449 : Telegram

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

MANAGUA, June 20, 1931—11 a. m.
[Received 11:08 p. m.]

[114.] My June 12, 6 p. m. The Nicaraguan Senate approved yesterday the majority report on the Nicaragua-Honduras boundary protocol. A copy of the report is not yet available, but I understand it made radical changes in the protocol. President Moncada has been in Masaya supporting the efforts of the administration to obtain favorable action, and I am informed that the form in which the protocol was approved represents the best compromise obtainable and that otherwise the protocol would have been rejected. The impression here is that Chamber of Deputies will approve the action of the Senate.

I will report further as soon as I have reliable particulars.

Repeated to Tegucigalpa.

HANNA

715.1715/450 : Telegram

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

MANAGUA, June 30, 1931—3 p. m.
[Received July 1—2:40 a. m.]

125. My 114, June 30 [*20*], 11 a. m. Pertinent excerpts from the Senate decree approving the boundary protocol with radical modifications follow:

From the preamble "It being understood and resolved that the legislative chambers of Nicaragua do not accept the award of the King of Spain dictated December 23, 1906 because they consider it and estimate it as invalid on account of the multiple defects of form and substance with which it was prepared and pronounced, defects which were opportunely pointed out and attacked by Nicaragua".

"Article 3. The dividing line between Nicaragua and Honduras from the Atlantic Ocean to the Teotecacinte Pass or vice versa will be a line, as a maximum concession, which shall leave Nicaragua in full dominion and possession of all the Coco or Segovia River and its bed. And, with the further resolutions that all the territories, possessions, towns, settlements and properties which are situated on the left side or region of the Coco or Segovia River referred to shall remain Nicaraguan together with the river and bed referred to as already expressed; the line which must be fixed will be a straight line beginning at the mouth or outlet of the Cruta River in the Atlantic to the headwaters of the river or stream known as the Awawas, a branch of the Segovia or Coco; and another line from that point at the headwaters of the Awawas to the (name used above) Pass in order thus to establish in favor of Nicaragua its dominion over and full possession of the Coco or Segovia River and its bed, and to include within the line fixed all the Nicaraguan territories, possessions, towns, settlements or those considered by Nicaragua as Nicaraguan situated on the left side or regions of the Coco or Segovia River as has been explained".

["] Article 12. It is understood and resolved that it is essential to the efficacy of the Irias-Ulloa protocol as modified that Honduras accept the modifications made to it by the present decree. In the contrary event the Irias-Ulloa protocol stands rejected on the part of Nicaragua and the territorial question which it treats of will have the status which it had prior to January 21, 1931 (*status quo ante*) the day on which the protocol was signed except that in so far as Nicaragua is concerned the award of the King of Spain neither has had nor has any validity".

It is expected that the Chamber of Deputies will approve the protocol in its amended form this week and that President Moncada will likewise give his early approval to it.

Repeated to Tegucigalpa by air mail.

HANNA

715.1715/451 : Telegram

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

MANAGUA, July 8, 1931—3 p. m.
[Received July 9—2:55 p. m.]

134. My 125, June 30, 3 p. m. The boundary protocol has been passed by both Houses with article 3 modified as follows:

"Article 3. The dividing line Nicaragua and Honduras from Teotecacinte Pass to the Atlantic Ocean will leave Nicaragua with dominion over and full possession of Coco or Segovia River and its left source, including the beds of the Poteca and other branches of the former, the populated territories, towns and properties which lie along the source referred to. Consequently the demarcation of that dividing line will be effected by following the highest peaks of the mountain range which marks the beginning of the left source of the Coco or Segovia River, or where the waters of the source of the River Patuca

begin to descend; and from the point where the range terminates, at the headwaters of the Awawas River, a branch of the Coco, a straight line will be followed to the left bank of the Crutcha River at its outlet into the Atlantic Ocean."

The prolonged debate on this treaty has brought out the following:

1. President Moncada has made a sincere and determined effort to settle this controversy on the basis of the award of the King of Spain.
2. An overwhelming preponderance of sentiment in Nicaragua is opposed to the acceptance of the award of the King of Spain.
3. Sentiment in Nicaragua is overwhelmingly opposed to surrendering the territory immediately north of the Segovia River and now under Nicaraguan jurisdiction.

It would appear that the outcome of the present negotiations now depends on the attitude of Honduras, and that further negotiations at this time will have but little probability of success unless Honduras will concede the disputed territory north of the Segovia River as outlined in article 3 above or submit some other acceptable formula.

HANNA

715.1715/456

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

No. 472 MANAGUA, August 13, 1931.
[Received September 12.]

SIR: Supplementing my telegrams No. 125, June 30, 3 p. m. and No. 134, July 8, 3 p. m., I have the honor to transmit herewith copy and translation of the Protocol of Agreement of the Boundary Question with Honduras, as finally passed by the Nicaraguan Congress on June 25, 1931, and published in *La Gaceta* of August 3, 1931. A copy of this despatch has been sent to the American Legation at Tegucigalpa.

Respectfully yours, MATTHEW E. HANNA

[Enclosure—Translation]

Protocol of Agreement of the Boundary Question With Honduras as Finally Passed by the Nicaraguan Congress June 25, 1931

THE PRESIDENT OF THE REPUBLIC,

to its inhabitants,

KNOW:

That the Congress has ordered the following:

The Senate and Chamber of Deputies of the Republic of Nicaragua, in view of the Irías-Ulloa Protocol signed in Managua on January 21 last by Doctor Julián Irías, our Minister of Foreign Affairs, and

Licenciado don José Angel Ulloa as Chargé d'Affaires a. i. of the Republic of Honduras; which Protocol was approved by the President of the Republic of Nicaragua on the 22nd of the same month and year; which has as its object the conclusion of the territorial differences which have been pending between Nicaragua and the Republic of Honduras referred to, and which the National Executive Power has submitted to the co-legislative chambers in accordance with the provision of paragraph 8 of Article 85 of our Political Constitution for their approval, modification or rejection, as indicated in that paragraph,

DECREE:

To modify it in the exact terms expressed below:

PROTOCOL OF AGREEMENT OF THE BOUNDARY QUESTION WITH HONDURAS

The Governments of the Republics of Honduras and Nicaragua being desirous of strengthening the ties of friendship which have traditionally united them, by removing the only obstacle which prevents the harmony which now exists from being complete.

It being understood and resolved that the co-legislative chambers of Nicaragua do not accept the Award of the King of Spain dictated on December 23, 1906, because they consider and regard it as invalid by reason of the multiple defects of form and substance with which it was prepared and pronounced, defects which were opportunely pointed out and attacked by Nicaragua,

Have resolved to celebrate the following Protocol:

Article 1. The Governments of Honduras and Nicaragua hereby mutually agree that the demarcation of the boundary between Nicaragua and Honduras will be confined to a technical commission which will be made up of two engineers, one named by the Government of Honduras and another by the Government of Nicaragua and presided over by an American engineer designated by the Government of the United States of America.

Article 2. The Governments of Honduras and Nicaragua agree that the commission of engineers provided for in the preceding article will have full authority to demark the dividing line between the two Republics from Teotecacinte Pass to the Atlantic Ocean in conformity with the stipulations of Article 3 below, establishing this line with respect to the points which may require technical clarification, without, however, altering its essence. In all the doubtful cases which may occur in the demarcation the President of the commission of engineers will decide and his technical decision will be without appeal.

Article 3. The dividing line between Nicaragua and Honduras from Teotecacinte Pass to the Atlantic Ocean will leave Nicaragua with dominion over and full possession of all the Coco or Segovia River and its left source, including the beds of the Poteca and other branches of the former, the populated territories, towns and properties which

lie along the source referred to. Consequently the demarcation of that dividing line will be effected by following the highest peaks of the mountain range which marks the beginning of the left source of the Coco or Segovia River, or where the waters of the source of the River Patuca begin to descend; and from the point where the range terminates, at the headwaters of the Awawas River, a branch of the Coco, a straight line will be followed to the left bank of the Cruta River at its outlet into the Atlantic Ocean.

Article 4. Within sixty days following the exchange of ratifications of the present agreement the Governments of Honduras and Nicaragua will name their respective engineers and either of the two Governments will petition the Government of the United States of America to designate the one who is to preside over the technical commission in accordance with the provisions of Article 1.

Article 5. In case the two commissioners, the Honduran and the Nicaraguan, or the person who may replace either of these, cannot arrive at an agreement the President of the commission will give a technical decision which will be final.

Article 6. The Governments of Honduras and Nicaragua agree that the decisions, resolutions, and recommendations of the technical boundary commission already referred to will be accepted as final and without appeal; and that the dividing line which that commission establishes in conformity with the provisions of Article 3 will be accepted by both Governments as a true and definitive common frontier.

Article 7. If despite the provisions of Article 3 Nicaragua or Honduras should have to make delivery of territories by virtue of fulfilling the present agreement such delivery will be effected within six months following the demarcation of the border.

Article 8. If inhabitants of territories should be obliged to change sovereignty on account of the fixing of the line established in Article 3 they will preserve their previous nationality; but they will have a year from the date of delivery of the respective territories within which they may opt for either of the two nationalities. Silence at the expiration of this period will indicate that they accept the new nationality.

Article 9. Territorial property of indigenous tribes in territories which may have to suffer a change of sovereignty by reason of the fixing of the line established in Article 3 will not be altered by this change. If the territorial property of the tribes inhabiting territory subject to change of sovereignty as provided should not have been legalized, the State acquiring said territory will have the obligation of establishing collectively or individually a legal regime of property in favor of said tribes in such manner that they may acquire gratuitously lots of land to a sufficient extent to fulfill their needs.

Article 10. Neither will private property suffer any alteration through the change of sovereignty which has been conditionally considered in the three preceding articles, and such property should be duly respected if it has been duly legalized in the country which in law or in fact possessed the affected territory prior to this agreement.

Article 11. For the effects of the conditional provisions of Articles 9 and 10 of this agreement the owners of land which they acquired by virtue of acts of sovereignty of either of the contracting States executed and perfected prior to the date of this agreement, will have the right to inscribe their respective titles in the State which is to exercise sovereignty over the territory affected within a period of two years from the date of delivery of the territory referred, effected in fulfillment of the present agreement.

Article 12. It is understood and resolved that it is necessary to the efficacy of the Irías-Ulloa Protocol, as modified, that Honduras accept the modification made to it by the present decree. In the contrary case the Irías-Ulloa Protocol remains rejected on the part of Nicaragua; and the territorial question of which it treats will have the same status as it had before January 21, 1931, (*Status quo ante*) the day on which the protocol was signed, with the reservation that the Award of the King of Spain neither has had nor has any validity as far as Nicaragua is concerned.

Article 13. To further clarify the intention had in framing the preceding Article the co-legislative chambers of Nicaragua consider furthermore the modifications made as reservations to the Irías-Ulloa Protocol for all purposes.

Article 14. The present agreement will be submitted in Honduras and in Nicaragua to constitutional ratifications and the exchange of these will be made in Managua and in Tegucigalpa within sixty days following the date of the last ratification.

DONE in the House of Sessions of the Chamber of the Senate, Masaya, June 25, 1931.

REPRESENTATIONS BY FOREIGN GOVERNMENTS WITH RESPECT TO SENATE BILL RELATING TO PAYMENT OF ADVANCE WAGES TO SEAMEN ON FOREIGN VESSELS [16c]

196.6/1112

The British Embassy to the Department of State

MEMORANDUM

On April 26th, 1928, a memorandum was left at the Department of

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[16c] Continued from *Foreign Relations*, 1929, vol. I, pp. 1005–1009.
The representations were transmitted by the Department to the Chairman of the Senate Committee on Commerce. For representations by Germany, see memorandum of March 3, 1931, from the German Embassy, p. 818.

State [17] relating to Senate bill No. 2945 regarding the "payment of advance wages and allotments in respect of seamen in foreign vessels, and making further provision for carrying out the proposals of the United States Seamen's Act," [17a] which bill had been passed by the Senate without debate three days previously. The bill in question, having never received the sanction of both Houses of Congress, is now again before the Senate renumbered S. 314.[18]

In the memorandum abovementioned it was stated that it appeared to the British Embassy that the effect of this bill was to declare unlawful the payment of advance wages abroad to seamen engaged in British and other foreign ships outside the United States. The bill therefore appeared to seek to vary forcibly the provisions of a contract made within British jurisdiction, and in many cases between British subjects, which was perfectly valid under British law, and apparently purported to regulate the manner in which the master of a British ship may engage a British crew in a British port. The effect of the bill therefore appeared to the Embassy to be contrary to the generally accepted principles of international law, and in view of the serious effect which such a measure would have upon the ocean-borne commerce between Great Britain and the United States, the Embassy desired to draw attention to the difficulties which would appear to them to follow from its enactment. The views thus expressed still hold good with reference to Senate bill No. S. 314.

The Embassy's attention was subsequently drawn to a memorandum by Mr. Frederick P. Lee, legislative counsel to the Senate Committee on Commerce. It had been printed as Senate Document Calendar No. 858—Report No. 833—70th Congress, 1st Session, on April 17th 1928 to accompany bill S. 2945. In this memorandum, a copy of which is annexed hereto,[19] the avowed purpose of the bill is clearly stated as being to remedy the handicap from which the United States merchant marine is held to suffer through the higher cost of labour for operating its vessels as compared with the labour costs of operating foreign vessels. The bill therefore seeks to raise to the American level the wage standard for crews of foreign vessels running to and from United States ports by inducing seamen engaged on the European scale of wages to desert ship in United States ports with a view to subsequent re-engagement on the American wage scale. The attention of Mr. Hosmer of the Department of State [20] was drawn to this memorandum by Sir Adrian Baillie of this Embassy on May 14th, 1928.

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[17] *Foreign Relations*, 1928, vol. I, p. 832.
[17a] Approved March 4, 1915; 38 Stat. 1164.
[18] Introduced by Senator Robert M. LaFollette, Jr., April 22, 1929.
[19] Not reprinted.
[20] Charles B. Hosmer, then in charge of the Shipping Section, Division of Foreign Service Administration.

In the same connection Sir Adrian Baillie had already, on May 3rd, provided Mr. Hosmer with a copy of the "motion and brief of Counsel for the British Embassy as *amici curiae*" in the case of *John James Jackson* against *Archimedes*, and had expressed the opinion that this brief—which had been drawn up by Messrs. Coudert of New York—fairly demonstrated that the bill would (*a*) transcend the legislative jurisdiction of the United States; (*b*) violate the constitution of the United States; (*c*) deprive foreign shipowners of property of contract rights; and (*d*) injure the commerce of a friendly nation.[21]

WASHINGTON, March 19, 1930.

196.6/1114

The Canadian Legation to the Department of State

AIDE-MÉMOIRE

Senate Bill S. 314 "relating to the payment of advance wages and allotments in respect of seamen on foreign vessels" is the re-introduction of a Bill, S. 2945, which failed to pass the 70th Congress. This proposal is causing serious apprehension to Canadian shipping interests, which have brought to the attention of the Canadian Legation the reasons for their objection to its terms. They state that in the case of Canadian vessels trading to United States ports the effect of the Bill would be to render null and void any contract or agreement made under British or Canadian law between a master and his crew, since on entering a United States port the crew would be at liberty to ignore their agreements entirely, to desert the vessel, and to compel the master to pay their wages in full, irrespective of any advances which they had received or of any allotments which had been paid to their dependents. The master would be helpless to prevent the desertion of his crew or to resist their demands; and he would be obliged to engage a new crew on their own terms and to remain in port until he was able to do so, all of which would cause great inconvenience and serious financial loss to the ship. Mention is also made of the bad effects on ship's discipline which would result from the enactment of such a law, even if the crew did not actually desert and demand their wages.[22]

WASHINGTON, April 7, 1930.

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[21] The British Ambassador on February 24, 1931, "orally" reminded the Department of the British attitude toward the pending bill (196.6/1132).

[22] On February 11, 1931, the Department was informally advised of Canada's continued opposition to the pending bill (196.6/1129).

196.6/1132

The British Embassy to the Department of State

MEMORANDUM

Senate Bill S. 314 passed the Senate on February 26th.

This bill has been considered by the Senate during previous sessions. In 1928 the bill was before the Senate under the number 2945 and the British Embassy represented to the State Department certain objections thereto in a memorandum dated April 26th.[23] The bill came before the Senate again under its present number early in 1930, but no action was taken. The British Embassy at this time submitted a further memorandum to the State Department recapitulating the objections against the bill enumerated in their previous memorandum. This second memorandum was dated March 19th, 1930, and pointed out that the bill by seeking to vary forcibly the provisions of a contract, perfectly valid under British law, made within British jurisdiction, and in many cases between British subjects, and purporting apparently to regulate the manner in which a master of a British ship may engage a British crew in a British port, appeared to be contrary to the generally accepted principles of international law.

The bill seeks so to amend Section 16 of the LaFollette Seamen's Act, held to have been largely invalidated by various legal decisions, as to make its operation effective. Its purpose—that is to say the original intent of Article 16 of the Seamen's Act and the purpose of the present amending bill—is described in the report of the Senate Committee recommending its passage as follows:—

"Section 16 of the seamen's act abolished the remedy of arrest and imprisonment for desertion of foreign seamen in ports of the United States, and treaty provisions requiring the specific performance of the terms of contracts for seamen's services made abroad were abrogated. Inasmuch as wages were higher in ports of the United States than in foreign ports, it was contemplated that foreign seamen who signed shipping articles at the lower wage scales prevailing at foreign ports would, since no longer prevented by legal process, take advantage of higher American wage level on reaching ports of the United States and find new jobs at the higher wages. The foreign ship must then fill up its crew at the current wages in the United States ports. Thus, both vessels of the United States and foreign vessels running to and from ports of the United States would have the same labor operating costs. Such a plan was dependent, however, upon the foreign seaman having sufficient money upon reaching the American port to carry him until he procured his new job. He must not be compelled, by lack of money to meet his immediate necessities for food and lodging to

[23] *Foreign Relations*, 1928, vol. I, p. 832.

remain with the foreign ship. Therefore section 4 of the seamen's act provided that upon reaching the United States port the foreign seaman might demand one-half of his wages theretofore earned on the voyage. By section 11 of the seaman's act it was attempted to make impossible the evasion of the provision through the device of deducting from such half earnings advance payments of wages or allotments of wages made when the seamen signed the shipping articles in the foreign port. If payment of the half earnings could be prevented through deductions for advance pay or allotments, then the seaman upon the foreign vessel would have no ready money upon arrival at the United States port. As a consequence, he would be unable to leave the foreign ship in search of higher wages, even though the foreign ship's wages were lower than the American wage level for seamen."

The objections to the bill have already, as mentioned above, been urged by the British Embassy. But they could hardly be better stated than they have been in a memorandum submitted to the Senate by Senator Copeland and printed in the *Congressional Record* of February 23rd.

The British Embassy have received telegraphic instructions from the Foreign Office pointing out that His Majesty's Government in the United Kingdom would view with serious concern the possibility of the passage of this bill, and His Majesty's Ambassador has orally drawn the attention of the Secretary of State to his Government's anxieties on this score. The British Embassy understand that the objections which have been urged against the bill will be brought again to the attention of the appropriate committee of the legislature, should there be a likelihood of further action on the bill.[24] It is in this connection that the attention of the State Department is drawn to Senator Copeland's memorandum. It is as follows:—

"S. 314 purports to prevent vessels of foreign countries from advancing wages to seamen on board their vessels in foreign ports by providing that such advances may not be deducted when wages are demanded in ports of the United States.

The effect of the law at the present time is that the advancing of wages is unlawful on American vessels either in the United States or in foreign countries, and it is also unlawful for foreign vessels to advance wages to their seamen while in waters of the United States. With respect to the class of cases now covered by law, such advances not only may not be deducted but involve persons making them in a crime, but with respect to the proposed extension to advances made

[24] Senate bill 314 failed of passage in the House of Representatives during the 71st Congress, and a renumbered bill, S. 1559, was introduced in the Senate on December 14, 1931. By letter dated January 4, 1932, the Department advised the Chairman of the Senate Committee on Commerce of its opposition to the bill (196.6/1141).

on foreign ships in foreign countries, the criminal element is eliminated. Regardless of the questions of the merits of such inhibitions, it is conceded that legislation with respect to American vessels anywhere and with respect to foreign vessels while within the territorial waters of the United States are proper subjects of regulation by the United States, but when this country attempts, directly or indirectly, to regulate the relations of foreign vessels and their seamen in foreign ports, the thought is immediately suggested that this is not a proper sphere of regulation by the United States but is a subject of regulation for either the country in which such advances are made or the country whose flag the vessel flies.

In the case of *Jackson* v. *The "Archimedes"* (275 U. S. 463, 72 L. Ed. 374, 377), the Supreme Court of the United States states: 'Congress could not prevent the making of such contracts in other jurisdictions. If they saw fit to do so, foreign countries would continue to permit such contracts and advance payments no matter what our declared law or policy in regard to them might be as to vessels coming to our ports.'

If such regulation can properly be exercised by the United States over foreign vessels in foreign countries, similar powers must necessarily exist in such foreign countries, with the result that hopeless conflicts in maritime law would obtain, and vessels would frequently find themselves inhibited from doing a thing under the laws of one country which it would be required to do by the laws of another.

All legislation and regulations heretofore seem to have appreciated this contingency and restricted their sphere of operations to their own vessels and vessels of foreign countries within their territorial waters and any departure from this policy must necessarily result in the confusion heretofore referred to.

In the Jackson case, just referred to, the Supreme Court stated: 'Congress certainly did not intend to punish criminally acts done within a foreign jurisdiction; a purpose so wholly futile as not to be attributed to Congress'.

It is respectfully suggested that the civil aspects of such advances are no more the proper subjects of regulation by the United States than the criminal aspect declared futile by the Supreme Court.

Whether the enactment of such legislation would violate our international treaties or not is relatively unimportant because there is no question but that such proposed legislation does violence to the limits within which nations have confined their regulatory powers by virtue of the necessities of international commerce.

In the report submitted by Mr. Nye on the bill (S. 314) he states that one of the purposes of the La Follette Seamen's Act was to raise to American level the wage standards for crews of foreign vessels by abolishing the remedy of arrest and imprisonment for desertion in ports of the United States. Inasmuch as wages are higher in the United States ports, Senator Nye points out it was contemplated that foreign seamen should take advantage of the higher wages prevailing in United States ports, and that such a plan was dependent upon seamen having sufficient money upon reaching the American port to carry him until he procured himself a new job, which financial status

he could not enjoy if permitted to make advances, etc. In this connection, it is considered wise to call attention to the fact that there is a prevalent misconception as to the effect of the La Follette Act upon desertion. Such arguments as that suggested by Senator Nye in his report presuppose that the La Follette Act legalizes desertions. Such is not the case for all the La Follette Act did was to abolish arrest and imprisonment as a penalty for desertion, but it is still an offense under the navigation laws, punishable by the forfeiture of wages and effects. In private life inducing employees to violate or breach their contracts is looked upon as unethical, to say the least, and it is questionable how far the United States should go toward any such purpose with respect to inducing seamen on foreign vessels to violate their contracts.

Not only is inducing parties to breach their contract unethical but in *Angel* v. *Chicago*, St. P. M. & O. R. Co. (15 U. S. 1, 38 L. Ed. 55), the Supreme Court of the United States ruled: 'It has been repeatedly held that if one maliciously interferes in a contract between two parties and induces one of them to break that contract to the injury of the other, the party injured can maintain an action against the wrongdoer.'

Therefore, not only does this legislation propose the furtherance of unethical acts but purports to place the United States in the position of doing an act which, if done by a private party, would subject them to an action for damages.

The position of the proponents of this legislation is not quite clear, for unquestionably it is designed to encourage desertions of foreign seamen in ports of the United States, whereas, with respect to S. 202, providing for the deportation of certain alien seamen,[25] Mr. Andrew Fureseth, president of the International Seamen's Union, the organization behind both these measures, complains to Congress of desertions from foreign vessels of alien seamen and urges that they be punished, but, in connection with S. 314, he complains that the steamship companies will not make it possible for their seamen to desert. In any event, the seamen's act was passed several years before the United States found it necessary to adopt a policy of restricting immigration, and even if the desertion of seamen should have been encouraged at that time, certainly this is not the case at the present time when the desertion of seamen is such a difficult problem to those administering our immigration laws.

In conclusion, therefore, it seems to me that not only does this legislation propose the regulation of matters not properly the subject of regulation by the Congress of the United States but is unwise from the standpoint of international policies and ethics. It seeks to promote the very desertion of alien seamen that its proponents complain of in connection with another measure passed by the Senate a few days ago."

WASHINGTON, February 28, 1931.

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[25] For correspondence concerning Senate bill 202, see pp. 815 ff.

REPRESENTATIONS BY FOREIGN GOVERNMENTS REGARDING SENATE BILLS FOR THE DEPORTATION OF CERTAIN ALIEN SEAMEN[26]

150.071 Control/37

The British Embassy to the Department of State

AIDE-MÉMOIRE

The British Embassy desire to call the serious attention of the State Department to Senate Bill S–202 which, according to information received, has now been submitted to the House of Representatives for concurrence, having passed the Senate. The Bill appears to be identical with Senate Bills S–1941 and S–717 of the 70th Congress, and almost identical with S–3574 which failed to pass the House of Representatives in 1927.

It is the general international understanding and practice that when private ships of a foreign state are in port the territorial authorities refrain from interference with their internal economy. The bill in question, however, provides for interference with the composition of the crews of foreign vessels while in United States ports and is therefore in conflict with a well-established, well-recognised and useful international practice.

Further, the bill would in effect discriminate against foreign vessels trading in American ports. It would cause great embarrassment to all ships in which Chinese seamen and Lascars are employed, and in particular to British Tramp Steamers trading with American ports in the course of their world voyages. The technical difficulties of eliminating from the crews of tramp steamers the Asiatic elements against which this bill is aimed would be very great and might in practice compel the masters of such vessels to cut out American ports altogether from their sailing schedules.

Active apprehensions have been caused in the Legislative Assembly in India by the legislation proposed, and they have been in communication with His Majesty's Government in the United Kingdom as to the extent to which the measure, if enacted, would constitute an unwarrantable interference with the employment of British Indians on foreign vessels not properly subject in such matters to American jurisdiction. It is pointed out at the same time that the bill would constitute a virtual discrimination in favour of Japanese and other Asiatic vessels at the expense of the merchant marine of Great Britain and all other maritime countries; for while vessels of these countries would be prevented from employing Japanese and Asiatic labour, Japanese

[26] Continued from *Foreign Relations*, 1930, vol. I, pp. 252–255.

or other Asiatic merchant vessels would be free to call at United States ports with crews of their own nationality on board.

Section 6 of the bill refuses clearance to vessels departing from the United States unless they carry a crew of at least the same number as they carried on arrival. This provision would be extremely difficult to comply with. It could not fail to lead to much unnecessary inconvenience and in many cases to long delays involving the alteration of sailing schedules and serious loss to business. Various other objections to the measure might be urged on practical grounds and it is understood that a detailed discussion of its technical aspects has been presented in previous years to the House Committee on Immigration by representatives of the shipping interests. Quite apart, however, from particular considerations of a practical nature such as those already mentioned, strong objection must be taken to the proposed legislation on the wide ground that it constitutes a direct interference with trade likely to lessen its volume in both directions. Its effect, if not its object, is to dictate to other countries in what manner they should send goods to and carry products and other supplies from the American market.

WASHINGTON, February 21, 1931.

150.071 Control/27

The Netherlands Legation to the Department of State [27]

No. 634 MEMORANDUM

The Royal Netherland Legation has been informed, that a Bill to provide for the deportation of certain alien seamen, and for other purposes (S. 202), adopted by the Senate in April 16th [*sic*] 1930, has been recently sent to the House after a decision taken in the Senate not to reconsider this Bill, and that there is a possibility that action in this Bill will be taken before the end of this Session.

Under these circumstances the Legation has the honour, referring to its note of April 18th [*8th*] 1930, No. 1280,[28] to bring once more to the attention of the State Department that two clauses of this Bill will create, if enforced as introduced, serious difficulties for several steamship Companies of the Netherlands.

The first is the provision prohibiting any ship from entering an American port if among her crew are aliens, who would not be

[27] Copy transmitted by the Department to the Chairmen of the Senate Committee on Immigration and the House Committee on Immigration and Naturalization.

[28] *Foreign Relations*, 1930, vol. I, p. 254.

admissible to the United States under the Immigration Laws (Section 7). A great number of Netherland ships, especially those of the Pacific Lines, have in their crew Javanese and Chinese, both being most times Netherland subjects. If the bill should come into force, the strange fact would occur, that a ship, carrying the Netherland flag, would not be allowed to have certain subjects of her own country in her crew when entering a port of the United States.

The second clause is to the effect that clearance will be refused to any ship whose crew, as far as engaged and taken at foreign ports, shall, when departing from the United States, be smaller than at the arrival of the vessel. It is obvious, that this provision in many cases will cause a long delay and considerable pecuniary loss to Netherlands vessels and it seems hardly fair to force the latter to take on board a number of undesirable aliens simply in order to bring the crew up to its full number.

The Netherland Government considers that this Bill, if passed, will be most detrimental to the shipping interests of the Kingdom and will constitute a strong impediment to the development of the economic relations between the United States and Holland.

The Royal Government would therefore highly appreciate if the United States Government and Congress, when the Bill is under discussion, would give due consideration to the very important interests of Netherlands navigation, endangered thereby.

WASHINGTON, February 25, 1931.

150.071 Control/38

Memorandum by the Assistant Secretary of State (Castle) of a Conversation With the German Ambassador (Von Prittwitz)

[WASHINGTON,] March 3, 1931.

The German Ambassador called this morning to leave the attached memorandum [29] concerning Senate Bills with regard to shipping. I told the Ambassador that I thought there was comparatively little chance that either of these bills would go through at the present session of Congress, but, of course, there was always a danger. I told him that this Department was opposed to the bills in their present form and that we had already signified to the appropriate people in Congress our disapprobation. He said he realized we had done this, but that he felt he would be derelict, the situation being as it is, not to bring the matter once more to our attention.

W[ILLIAM] R. C[ASTLE], JR.

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[29] *Infra.*

150.071 Control/38

The German Embassy to the Department of State

MEMORANDUM

concerning

Senate Bill S 202

(An Act to provide for the deportation of certain alien seamen, and for other purposes), and

Senate Bill S 314 [30]

(Relating to the payment of advance wages and allotments in respect of seamen of foreign vessels and making further provisions for carrying out the purpose of the Seamen Act approved March 4, 1915).

The possibility of the enactment of these bills is causing the German Government great concern since they would not only deviate from international practice but would also seriously affect the rights of the German shipping companies.

This applies especially to the provisions contained in Senate Bill S 202 because the contracts concluded between the German shipping companies and their crews are governed entirely by German law. The provisions of S 314 would on the other hand create serious difficulties to the German shipping companies for the reason that they interfere with the contracts and directly tend to undermine discipline.

The German Embassy, in referring to its memoranda of April 15, 1930 [31] and May 11, 1929,[32] therefore renews its serious apprehension with regard to the enactment of the two bills.

WASHINGTON, March 3, 1931.

150.071 Control/32

Memorandum by the Secretary of State of a Conversation With the British Ambassador (Lindsay)

[WASHINGTON,] March 3, 1931.

During the call of the British Ambassador this morning, he brought up the subject of the pending shipping bill (S. 202) about which he was very much troubled. He told me that one of its provisions permitted ships to be searched and if any sailors were found who were aliens not qualified to become citizens of this country they must be

[30] For representations by foreign governments regarding Senate bill 314, see pp. 808 ff.

[31] *Foreign Relations*, 1930, vol. I, p. 255.

[32] *Ibid.*, 1929, vol. I, p. 1005.

seized and deported. He said that this provision would prevent every British ship from touching at our Pacific Coast ports, because these ships always had among their crews many Lascars and Chinese.

I then told him that the Secretary of Labor had brought up this question at the last Cabinet meeting and the President had expressed himself in favor of the bill, and pursuant to his direction I had told the Committee so; that after a talk with Mr. Johnson [33] of the Committee who had pointed out what I believed to be the same section of the bill (Section 7) which the Ambassador referred to as affecting our Pacific Coast ports, I had directed Mr. Flournoy [34] to try to amend this bill so as to be unobjectionable in that way. I tried to get Mr. Flournoy on the telephone but he was at the Capitol and could not be reached. I called up the Secretary of Labor while the Ambassador was still here and he told me he believed the bill had been amended so as to reach this provision. I reported this to the Ambassador and he went away.

H[ENRY] L. S[TIMSON]

150.071 Control/108

The French Chargé (Henry) to the Secretary of State [35]

[Translation]

WASHINGTON, October 6, 1931.

The Chargé d'Affaires of France in the United States, acting in compliance with the instructions of his Government, has the honor to invite the attention of His Excellency the Secretary of State to the provisions of a bill which was filed in the office of the United States Senate by Senator King, and which has already been passed by this Body and is under study by the House of Representatives. This Bill, known under the name of "Alien Seamen Act of 1931" would, in case it should be adopted by Congress in its present form, cause inevitable loss to French merchant marine interests.

1. According to the terms of Section 6 of this Bill, foreign steamships would be authorized to leave American ports only if they have on board a number of seamen at least equal to the number they had on their arrival, except in case of sickness of one or more men of the crew.

The effect of this provision would be to oblige the French Companies, in case of desertion or impossibility of recruiting French

[33] Senator Hiram W. Johnson, of California.
[34] Richard W. Flournoy, Jr., Assistant to the Solicitor.
[35] Copy transmitted by the Department to the Chairmen of the Senate Committee on Immigration and the House Committee on Immigration and Naturalization.

seamen on the spot, to embark foreign seamen. Such a measure would involve most serious disadvantages. It would entail great expense for French Companies, not only because of the necessity of engaging foreign seamen whom it would be necessary to pay according to the rates in effect in the United States, but also and especially because of the possibly long delays which might affect the regular time of departure of their steamships, and which would not fail to result from Section 6 of the "King Bill."

Furthermore, it is quite evident that the presence on board of foreign seamen receiving higher wages than those of the French seamen, although engaged in the same tasks, could not fail to result in most unpleasant consequences from a disciplinary point of view.

Aside from cases of desertion and sickness, it may happen that owing to unforeseen and inevitable circumstances, and in no wise as the result of an intention to violate the immigration laws, certain French seamen belonging to the crew of a steamship flying the flag of the French Government may not be able to rejoin their ship on time. Under such conditions it may seem excessive to require the company to replace such seamen, whose presence on board is not indispensable to carrying on the service and who can be embarked a few days later on board one of the ships carrying on the regular weekly service between France and the United States.

2. Section 3 of the "Alien Seamen Act of 1931" provides that if the local immigration authorities find, on the arrival of a foreign ship in an American port, that a foreign seaman was not engaged "in good faith," this seaman shall be taken to the nearest immigration station. If he is definitively considered an undesirable, he must be deported at the expense of the company which engaged him, but on another ship than the one which brought him to the United States.

This provision necessarily implies that the American authorities at the port of arrival of the foreign ship will have the right, not only to examine the ship's roll, but to examine the conditions under which the latter was made up by the proper authorities of the foreign government. It tends to bring into question the good faith not only of the seaman, but of the agents of the foreign government under whose responsibility the ship's roll was prepared.

Moreover the power thus conferred on American immigration inspectors to decide the status of the personnel which had been embarked is of a nature to result in the greatest difficulties so far as French navigation companies are concerned. The personnel embarked on board passenger ships flying the French flag which ply regularly between Le Havre and New York includes in fact not only seamen properly so-called, but also the men who have charge of the engines and the civilian employees (cabin boys, deck boys, etc.).

The latter do not appear on the ship's roll which is visaed by the French Commissioner of Marine Registration and under such conditions run the risk, if Section 3 of the "Alien Seamen Act of 1931" should become law, of finding themselves deprived of all protection in case of a dispute as to the legality of their embarkation between the local immigration agents and the officials of the navigation company to which they belong.

3. Finally, amended Section 7 of the "Alien Seamen Act of 1931" which prohibits the entry into American ports of any seaman who is a "citizen, subject or inhabitant of any colony, dependency or mandated country the nationals of which are excluded because of race from the territory of the United States" is also of a kind to cause serious loss to French navigation companies. The latter now rather frequently engage for the service of the engines men coming from the Continent of Asia, who are better adapted than Europeans to the high temperatures of the magazine and boiler rooms. The effect of the adoption of this article would be to require the French navigation companies to change the composition of their engine personnel and to increase the wages paid up to this time to this class of employees.

It seems, however, that the presence in American waters or on American soil, for a period rarely exceeding three days, of men of color coming from the Continent of Asia, would not be of a character seriously to hinder the application of the immigration laws.

In submitting the above considerations to the kind attention of His Excellency the Secretary of State, the Chargé d'Affaires of France would be very grateful to him if he would be good enough to communicate to him his point of view as to the possible application of the "Alien Seamen Act of 1931" which, in its present form, has already given rise to reservations on the part of foreign governments, especially those of Great Britain and of Italy, and also on the part of American shipping interests.

Mr. Jules Henry is happy to avail himself [etc.]

WASHINGTON, October 6, 1931.

IMMUNITY OF FOREIGN STATES FROM SUITS IN FEDERAL AND STATE COURTS; REPRESENTATION OF THE UNITED STATES BEFORE FOREIGN COURTS

811.043/18

The Czechoslovak Chargé (Skalický) to the Secretary of State

The Czechoslovak Chargé d'Affaires ad interim presents his compliments to His Excellency, the Honorable Secretary of State, and has the honor to request his kind information in the following matter.

The Legation has been asked by the Ministry of Justice at Prague to provide it with a statement of a competent American authority in due form of an interpretative opinion (1) if and eventually to what extent under the laws of the United States of America it is admissible to present a suit against a foreign state, (2) whether it is admissible to enforce a judgment against a foreign state in the territory of the United States of America and if so on what kind of property of the foreign state, and by what method of enforcement or execution of judgment, (3) whether the diplomatic missions or other representative authorities of the United States of America in foreign countries are entitled to represent their own state also before the courts of justice of the recipient state and if they may lawfully receive for it and in its name judicial records and documents of foreign courts.

WASHINGTON, November 13, 1930.
#5334

811.043/18

The Secretary of State to the Czechoslovak Minister (Veverka)

The Secretary of State presents his compliments to the Minister of Czechoslovakia and, referring to the Legation's note of November 13, 1930, requesting on behalf of the Ministry of Justice at Prague a statement with regard to the immunity from suits of foreign States in the United States, has to advise the Minister as follows:

It is well settled that foreign States are held immune from suit in Federal and State courts in the United States. There is no provision in the Constitution of the United States or any Federal statute which forbids the institution of suits against foreign States in courts of the United States. The question has been determined by courts of the United States ,which simply refuse to take jurisdiction, usually basing such refusal on well recognized principles of international law. Courts in the United States have also held that property belonging to foreign states is immune from a process *in rem.*

As of possible interest, the Minister's attention is called to the following cases in which the Supreme Court of the United States had occasion to pass on the foregoing questions: *The Siren*, 7 Wall. 152; *Stanley* versus *Schwalby*, 147 U. S. 508; *The Exchange*, 7 Cranch 116; *Tucker* versus *Alexandroff*, 183 U. S. 424.

In conclusion it may be stated that there are no provisions of the Constitution of the United States or any Federal statute having a direct bearing on the question of the authority of representatives abroad of the United States to represent the United States before foreign courts. The question would seem to be one for determination by the Executive officers of the United States and it is believed that should the occasion arise the Department of State would be pre-

pared to instruct its representatives abroad to represent the United States before foreign courts in legal proceedings instituted by the United States and would permit such representatives in behalf of the United States to "receive for it and in its behalf any judicial records and documents of foreign courts."

WASHINGTON, March 14, 1931.

DIPLOMATIC IMMUNITY OF A FOREIGN COMMERCIAL ATTACHÉ IN THE UNITED STATES

701.6511/702

The Attorney General (Mitchell) to the Secretary of State

WASHINGTON, November 6, 1931.

SIR: Re: *Giovanni Girardon* v. *Romolo Angelone.*

In connection with this case which is a suit against a commercial attaché pending in the Appellate Division of the Supreme Court of the State of New York, the United States Attorney at New York City has just telephoned that the justices of the court are in a quandary as to what constitutes a commercial attaché and whether such an official is entitled to diplomatic immunity; that one of the justices has advised him by telephone that the court would like to have and is willing to be bound in this case by a letter or certificate from the State Department defining what constitutes a commercial attaché and whether he is entitled to diplomatic immunity. As the court would like to have this letter or certificate as soon as possible, your prompt attention to this matter will be very much appreciated.

In order to place this matter before you without delay, this letter is being delivered to you by special messenger.

Respectfully, For the Attorney General
ROY ST. LEWIS
Assistant Attorney General

701.6511/702

The Secretary of State to the Attorney General (Mitchell)

WASHINGTON, November 7, 1931.

SIR: I have received your Department's letter dated November 6, 1931, concerning the case of *Giovanni Girardon* v. *Romolo Angelone*, which is a suit pending in the Appellate Division of the Supreme Court of the State of New York against the Commercial Attaché of the Italian Embassy in this city. The letter states that the court desires to know what constitutes a commercial attaché and whether such an official is entitled to diplomatic immunity.

Concerning the inquiry as to what constitutes a commercial attaché, I quote the provision contained in the Act of Congress approved July 16, 1914:

"Commercial attachés, Department of Commerce: For commercial attachés, to be appointed by the Secretary of Commerce, after examination to be held under his direction to determine their competency, and to be accredited through the State Department, whose duties shall be to investigate and report upon such conditions in the manufacturing industries and trade of foreign countries as may be of interest to the United States; and for one clerk to each of said commercial attachés to be paid a salary not to exceed $1,500 each; and for necessary traveling and subsistence expenses, rent, purchase of reports, travel to and from the United States, and all other necessary expenses not included in the foregoing; such commercial attachés shall serve directly under the Secretary of Commerce and shall report directly to him, $100,000." (38 Stat. L. 500)

With regard to the inquiry whether Mr. Romolo Angelone, Commercial Attaché of the Italian Embassy, is entitled to diplomatic immunity, I invite your attention to the provisions of Sections 4062–4065 of the Revised Statutes of the United States. Section 4063 provides as follows:

"Whenever any writ or process is sued out or prosecuted by any person in any court of the United States, or of a State, or by any judge or justice, whereby the person of any public minister of any foreign prince or state, authorized and received as such by the President, or any domestic or domestic servant of any such minister, is arrested or imprisoned, or his goods or chattels are distrained, seized, or attached, such writ or process shall be deemed void."

As stated by Chief Justice Fuller in the case of *In re Baiz* (135 U. S. 420) this provision was drawn from the British statute (7 Anne c. 12) "which was declaratory simply of the Law of Nations".

I enclose a copy of the Diplomatic List issued by the Department of State for October, 1931, and invite your attention to the fact that Signor Romolo Angelone is listed on page 3 thereof as the Commercial Attaché of the Italian Embassy. As such attachés are considered to be exempt from judicial process under our laws, it is believed that the legal proceedings against Signor Romolo Angelone should be dismissed. See Hyde *International Law*, Volume 1, section 438, pages 753, 754; Moore *International Law Digest*, Volume IV, page 634; Hershey *Essentials of International Public Law* (1912) pages 293–295.

Very truly yours,

For the Secretary of State:
WILBUR J. CARR
Assistant Secretary

AFGHANISTAN

DISINCLINATION OF THE UNITED STATES TO ESTABLISH OFFICIAL RELATIONS WITH THE GOVERNMENT OF AFGHANISTAN

890h.01/12 : Telegram

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

LONDON, April 15, 1931—4 p. m.
[Received April 15—1 : 30 p. m.]

109. Embassy's despatch 1622, February 3.[1] I have learned informally that the Afghan Minister desires to call on me in the near future to discuss the question of recognition.

Unless otherwise instructed I propose to receive him and to say only that I will report the matter to my Government. An expression of the Department's views would be appreciated.

DAWES

890h.01/12 : Telegram

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

WASHINGTON, April 16, 1931—4 p. m.

97. Your 109, April 15, 4 p. m. There is no objection to you receiving the Afghan Minister at his request. If he raises the question of recognition you should state that you are not authorized to discuss the matter with him but that you will be pleased to transmit to the Department any statement which his Government has authorized him to make.

STIMSON

890h.01/15 : Telegram

The Chargé in Italy (Kirk) to the Secretary of State

[Paraphrase]

ROME, September 19, 1931—noon.
[Received 12 : 40 p. m.]

177. The Afghan Minister in Italy yesterday called on me to say that his Government at Kabul had received a report which he be-

[1] Not printed.

lieved came originally from Washington to the effect that the American Government might now be inclined to establish official relations with the Afghan Government. Accordingly, the Minister was instructed to state that his Government would be glad to establish relations with the United States Government and was prepared to negotiate a treaty. He added that, in case the American Government regarded the matter favorably, his Government would undoubtedly empower him to undertake preliminary negotiations in Rome, since he had been selected by his Foreign Office to convey the foregoing message.

The Minister went on to say that it had been his hope to discuss the subject with the American Ambassador here, so that the latter might personally present it upon his return to the United States. However, having learned that Mr. Garrett had left Italy and could not be conveniently reached prior to sailing, the matter had been presented instead to the Embassy. Without further discussion, the Minister ended with the statement that he assumed the matter would be treated confidentially.

Referring to the Department's previous instruction of January 4, 1928 (No. 901),[2] I report the above to the Department for such consideration and instructions as may be given.

KIRK

890h.01/15 : Telegram

The Secretary of State to the Chargé in Italy (Kirk)

[Paraphrase]

WASHINGTON, September 24, 1931—6 p. m.

143. Your 177, September 19, noon. In your discretion you may orally inform the Minister of Afghanistan at Rome that no recent consideration has been given by this Government to the question of the establishment of official relations with the Afghan Government and the present moment is not considered to be opportune to negotiate a treaty.

It may be stated for your own confidential information that the present request to establish official relations is premature, since the present regime in Afghanistan has not yet been recognized by this Government.

STIMSON

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[2] Not printed.

ALBANIA

UNPERFECTED TREATY OF NATURALIZATION BETWEEN THE UNITED STATES AND ALBANIA, SIGNED JANUARY 21, 1931[1]

711.754/10

The Secretary of State to the Minister in Albania (Hart)

No. 254 WASHINGTON, October 23, 1929.

SIR: With reference to your despatch No. 553 of November 7, 1928,[2] reporting the adoption by the Council of Ministers on October 18, 1928, of a Resolution, No. 761, to the effect that Albanians naturalized as citizens of the United States subsequent to the Agreement made between the Legation and the Albanian Government in 1922[3] would not be regarded as having lost their Albanian nationality, and to your despatch No. 600 of March 28, 1929,[2] reporting that, as a result of the representations made by the Legation, assurances have been given by the Foreign Office that Albanians naturalized in the United States would be recognized as citizens of the United States regardless of the date of their naturalization, and transmitting a copy of a note of March 26 from the Foreign Office to that effect, I beg to inform you that it appears to the Department that it would be desirable, in order to prevent uncertainty in the future concerning the status of naturalized citizens, to conclude a treaty upon the subject, similar to treaties heretofore concluded between the United States and other foreign countries. In this regard your attention is called to the Joint Resolution of Congress, approved by the President May 28, 1928, reading as follows:

"That the President be, and he is hereby, respectfully requested to endeavor as soon as possible to negotiate treaties with the remaining nations with which we have no such agreement, providing that persons born in the United States of foreign parentage, and naturalized American citizens, shall not be held liable for military service or any other act of allegiance during a stay in the territory subject to the jurisdiction of any such nation while citizens of the United States of America under the laws thereof."

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[1] For correspondence on similar bilateral treaties with other states, see *Foreign Relations*, 1928, vol. I, pp. 494 ff.; *ibid.*, 1929, vol. I, pp. 439 ff.; and *ibid.*, 1930, vol. III, pp. 1 ff.

[2] Not printed.

[3] The agreement is in the form of an exchange of notes dated June 23 and June 25, 1922; for the substance of the agreement, see *Foreign Relations*, 1924, vol. I, p. 316.

You are instructed to bring the above Resolution to the attention of the Albanian Government with a view to the conclusion of an appropriate convention between the United States and Albania.

It will be observed that the Joint Resolution relates to two classes of persons. First, those born in foreign countries and naturalized as citizens of the United States, and second, those born in the United States of alien parents. While this Government does not admit that a person of foreign origin who has lawfully acquired naturalization as a citizen of the United States can properly be regarded as still owing allegiance to the country of which he was formerly a national, it is obliged to admit the existence of dual nationality in the cases of persons who are born in the United States of alien parents and who, although they are born citizens of the United States under the provision of the Fourteenth Amendment to the Constitution, are also regarded as nationals of the countries of which their parents are nationals under the laws thereof. Nevertheless, it seems only reasonable that, when persons of the class last mentioned have a permanent residence in one of the two countries concerned, they should be able to visit the other temporarily without being arrested and held for military or other national services.

I enclose herewith, for submission to the Albanian Government, a draft treaty concerning naturalization and military service,[4] designed to carry out the provisions of the Joint Resolution. As you will observe, the first three articles of the treaty relate to the status of naturalized citizens and closely resemble the first three articles of the Naturalization Treaty of 1924 between the United States and Bulgaria.[5] The fourth article relates to liability for military or other national services in cases of persons born in either country of parents having the nationality of the other.

In presenting the draft treaty to the Albanian Government you will call attention to the fact that the Government of the United States endeavors consistently to observe two principles with regard to the status and right to protection in foreign countries of persons of foreign origin who have obtained naturalization as citizens of the United States under the laws of this country. The first is that such persons, having left their countries of origin and established themselves permanently in this country, and having solemnly forsworn allegiance to their former sovereigns while at the same time taking an oath of permanent allegiance to the United States, should be regarded as owing allegiance to the United States only. The second

[4] Not found in Department files. For text of the treaty as signed January 21, 1931, see p. 835.

[5] Treaty of November 23, 1923, *Foreign Relations*, 1923, vol. I, p. 464.

is that this Government will not extend its protection abroad to a person of foreign origin who has obtained naturalization as a citizen of this country fraudulently or, although his naturalization may have been obtained in good faith, has abandoned his ties with the United States and established himself permanently in the country of his former nationality. In this relation you will direct especial attention to the provisions of the second paragraph of Section 15 of the Naturalization Act of June 29, 1906,[6] providing for the cancellation of the naturalization, as void *ab initio*, of persons who establish a residence of a permanent character abroad within five years after naturalization, and the provision of the second paragraph of Section 2 of the Expatriation Act of March 2, 1907,[7] under which the presumption of loss of American citizenship arises against a naturalized citizen who has resided for two years in his native land. It is believed that the proposed naturalization treaty, while it is, of course, intended to guarantee due protection to naturalized American citizens of Albanian origin who wish to visit their native land for legitimate objects, makes due allowances for the just demands of Albania, and thus tends to foster friendly and mutually beneficial intercourse between the two countries.

Especial attention is called to the provision of Article II of the proposed Treaty to the effect that former nationals of either country naturalized in the territory of the other shall not, upon returning to the country of origin, be punished "for failure to respond to calls for military service accruing after bona fide residence was acquired in the territory of the country whose nationality was obtained by naturalization". It seems obvious that unless a provision to this effect is included in the treaty it will be of little or no value.

With reference to Article IV of the draft I may say that, if the Albanian Government should consider that the term "temporary stay" is too vague and requires definition, you are authorized to add the following proviso to the proposed article:

"Provided, That, if such stay is protracted beyond the period of one year, it may be presumed to be permanent, in the absence of sufficient evidence to the contrary."

Pending the conclusion of the proposed treaty, you are instructed to endeavor to obtain an informal agreement with the Albanian Government in accordance with the Joint Resolution, which would be applicable to persons born in the United States of Albanian parents, in order that such persons, while maintaining their residence in the

[6] 34 Stat. 596.
[7] 34 Stat. 1228.

United States, may be able to visit Albania temporarily without molestation.

I am [etc.] For the Secretary of State:
J. P. COTTON

711.754/13

The Chargé in Albania (Holmes) to the Acting Secretary of State

No. 765 TIRANA, March 13, 1930.
[Received March 28.]

SIR: I have the honor to refer to the Department's instruction No. 254 of October 23, 1929, directing that a treaty of naturalization be proposed to the Albanian Government, and that pending the signature of such treaty an informal agreement be entered into providing that persons born in the United States of Albanian parents, while maintaining their residence in the United States, will be allowed to visit Albania, temporarily, without being held liable for military or other national service.

There is transmitted herewith five copies of a translation of a note giving such assurance received from the Albanian Minister for Foreign Affairs.

I have [etc.] JULIUS C. HOLMES

[Enclosure—Translation]

The Albanian Minister for Foreign Affairs (Fico) to the American Chargé (Holmes)

No. 895/IV TIRANA, March 8, 1930.

MR. CHARGÉ D'AFFAIRES: I have the honor to acknowledge the receipt of your letter of March 6 of this year under No. 272, advising me that pending the conclusion of the Treaty of Naturalization proposed by the Honorable Government of the United States of America to the Royal Government, the two countries should enter into a temporary understanding providing that persons born in the United States of America of Albanian parents, while maintaining their habitual residence in the United States, will be permitted to visit Albania, temporarily, without being held liable for military or other national service.

I have the honor to inform you that the Royal Government accepts this proposal and adds that this understanding will be of reciprocal character and applicable only to persons who have performed, after they have attained their 18th year, no act of allegiance to the country to which their parents owe allegiance.

Please accept [etc.] R. FICO

711.754/14 : Telegram

The Chargé in Albania (Holmes) to the Acting Secretary of State

TIRANA, April 3, 1930—10 a. m.
[Received 2:15 p. m.]

11. Referring to Department's instruction No. 254 of October 23, 1929. Albania prepared to sign treaty as submitted, with following modifications:

1. Article I, paragraph 3, strike out ["] in time of war ["] and substitute ["] during the time when the country of which he is a national is at war.["]

2. Article III, paragraph 5 [*2*], substitute period for semicolon and strike out from ["] but ["] to ["] contrary ["], add ["] The time limit can be extended for six months for reasonable causes upon notification to the authorities of the country of origin. If residence in the country of origin continues beyond six months, the nationality acquired by naturalization shall be held invalid.["]

3. Article IV, substitute semicolon for period and add ["] provided that he has performed no act of allegiance to the country of his parents' nationality after having attained his 18th year.["]

4. An exchange of notes citing the Albanian law which requires an Albanian who wishes to become naturalized in another country to invoke permission of the Albanian Government and stating that if an Albanian subject resides 5 years continuously in the United States such permission will be considered as automatically given. The Government of the United States to agree to notify to the Albanian Government the names of all Albanians naturalized in the future. First provision to save Albania's face in dealing with her neighbors, second, for the civil registers. Notes to cite paragraph 5 of article I of the treaty and stated [*state?*] that minor children of persons naturalized in either country shall have the nationality of the country of their habitual residence.

This telegram is sent at the urgent request of the Minister for Foreign Affairs, who wishes to sign treaty and present it for ratification before Parliament adjourns on April 15. The Minister for Foreign Affairs states that a telegram saying that full powers are being sent will be submitted to sign treaty.

HOLMES

711.754/15 : Telegram

The Acting Secretary of State to the Chargé in Albania (Holmes)

WASHINGTON, April 14, 1930—3 p. m.

10. Your April 3. Department agrees in the main to the proposed change of Article 1 but suggests modification in phraseology by substituting following paragraph for paragraph 3 of Article 1:

"The foregoing provisions of this Article shall cease to be in force as to either party to this convention whenever it may be at war".

The Department cannot agree to the suggested modification of Article 3 which it presumes refers to paragraph 2 because it would extend time limit beyond period provided in law United States and would create an absolute rule of expatriation instead of a rebuttable presumption provided in such law.

The Department cannot agree to suggested addition to Article 4 as this would render Article too indefinite in meaning.

With reference to suggested exchange of notes on subject of Albanian law, Department could not agree in view of laws of this country providing for free exercise of right of expatriation.

As to the suggestion that this Government inform the Albanian Government concerning the naturalization of Albanians in this country, while no objection is seen on principle, this Department has been informed by the Department of Labor which has supervision of naturalization, that it is not practicable to carry it out.

As to the proposed note regarding minor children of naturalized persons, the Department agrees in the main with the proposal but suggests the following modification in phraseology: "Minor children of persons naturalized in either country shall not acquire the nationality of that country until they shall have established their habitual residence there".

You are authorized to sign a treaty in accordance with the above instructions. Full powers are being sent.

COTTON

711.754/27

The Minister in Albania (Bernstein) to the Secretary of State

No. 67 TIRANA, August 28, 1930.
[Received September 10.]

SIR: Referring to my telegram No. 32, dated August 22, 1930,[8] I have the honor to report that I received the following note, dated August 25th, from the Minister for Foreign Affairs, Rauf Fitso, confirming the information he had verbally given me on August 21, regarding the proposed Treaty of Naturalization:

Royal Ministry of Foreign
Affairs of Albania
Political Division
No. F. I. 895/VII Tirana, August 25, 1930.

Mr. Minister: In connection with the revised draft of the Treaty of Naturalization which Your Excellency was kind enough to submit

[8] Not printed.

to us and referring to our conversations regarding this matter, I have the honor to inform you that the Royal Albanian Government, in view of its desire to meet the wishes of the Government of the Republic, concerning this understanding, accepts the terms of this Treaty, excepting that formulated in Article II in which we propose the following change:

"Nationals of either country, who have or shall become naturalized in the territory of the other, as contemplated in Article I, shall not, upon returning to the country of former nationality, be punished for the original act of emigration, or for failure to respond to calls for military service accruing after the day on which they had legally declared their intentions to become nationals of Albania or of the United States of America, and after they had acquired bona fide residence in the territory of the country whose nationality they seek to obtain by naturalization."

In view of the fact that the reasons for this essential change, which compel us to give it special consideration, were made known to you verbally, we deem it unnecessary to reiterate them here.

While advising you of the aforesaid, I pray you, Mr. Minister, to accept my regards with my special esteem.

Minister for Foreign Affairs
(Seal) (Signed) R. Fico

To His Excellency Mr. Bernstein,
Minister of the United States of America,
Tirana.

After several conferences with the Minister for Foreign Affairs, R. Fitso, and Demètre Beratti, Chief of the Political Division of the Foreign Office, I have succeeded in getting them to withdraw their insistent request for an exchange of notes about information to be furnished the Albanian Government concerning the names of Albanians hereafter naturalized in the United States. I explained to them the impracticability of such an undertaking and the difficulties involved, in accordance with instructions contained in the Department's telegrams No. 10, dated April 14, 1930, and No. 20, dated July 21, 1930.[9] After they had finally yielded on this point, they suggested that at least a note be added in the Treaty containing a recommendation to the American Government that the names of Albanians newly naturalized in the United States be furnished to the Albanian Government whenever practicable. They said that such a recommendation would constitute no obligation whatever on the part of our Government, but that it would be helpful to the Albanian Government in the event that it would negotiate Naturalization Treaties with some of the neighboring states. I pointed out that it would be best to include nothing in this Treaty that was inessential, impracticable, that could not be properly undertaken and fulfilled, and that was merely inserted for decorative purposes. When Beratti remarked that they had yielded practically everything, and that the yielding on this point also would

[9] Latter not printed.

be their final defeat, I assured him that in the making of this treaty there was no question of victory or defeat for either side, that the American Government was interested in concluding a Naturalization Treaty with the Albanian Government which would be mutually beneficial to the friendship and intercourse between the two countries.

I was then asked by Mr. Fitso to submit to him a copy of the original text of the Treaty, both in English and in Albanian, containing the revised passages authorized in the Department's telegram No. 10, dated April 14, 1930, a copy of which telegram the Foreign Office had received from Mr. Holmes when he was Chargé d'Affaires. I submitted the text to Mr. Fitso, and was informed by him that the Council of Ministers would give it careful consideration at an early meeting. In the meantime I mentioned this to Mr. Mehmet Konitza who talked to the King and who advised him to approve the Treaty without any changes. Several days before the meeting of the Council of Ministers, Konitza informed me that the King had recommended to the Prime Minister that the Treaty be approved without delay.

When I called on Mr. Fitso at the Foreign Office last Thursday, August 21, both he and Mr. Beratti informed me of the decision of the Council of Ministers to the effect that the Treaty had been approved unanimously, but that they desired a slight change in Article II, as reported in my telegram No. 32, dated August 22, 1930, and as given in the above note from the Minister for Foreign Affairs.

At first they maintained that they were willing to concede that Albanians who became nationals of the United States, upon their return to Albania, shall not be punished for failure to respond to calls for military service accruing after they become American citizens. They said that the phrase "after bona fide residence was acquired", in Article II, was too vague and indefinite. After my explanations, however, they agreed to recognize the principle that Albanians naturalized in the United States shall, upon their return to Albania on a temporary visit, be free from punishment for failure to respond to calls for military service accruing after they had legally made their declarations to become American nationals. But they insist that they cannot regard in the same category those Albanians who emigrated to the United States and who were liable to military service before they had declared their intentions to become American citizens. These they regard as their own nationals up to the time when they become declarants.

The Minister for Foreign Affairs assured me that the Council of Ministers would not have made these concessions to any other nation than the United States of America, and that they were anxious to conclude this Treaty with the United States because they wished to

display their good will and gratitude toward the United States for what America and American influence have done for Albanian independence.

Respectfully yours, HERMAN BERNSTEIN

711.754/29 : Telegram

The Minister in Albania (Bernstein) to the Secretary of State

TIRANA, December 15, 1930—5 p. m.
[Received December 15—4:15 p. m.]

48. After numerous conferences with King and Prime Minister, I have succeeded in inducing them to approve naturalization treaty as submitted by the Department with modifications authorized in the Department's telegram No. 10 of April 14th. I am informed today by the Prime Minister that Council of Ministers has finally approved the treaty which will be ready for signature within a few days. If the Department will give me telegraphic authorization stating that full powers are being sent the treaty may be signed without delay.

BERNSTEIN

Unperfected Treaty Series No. T–6

Treaty of Naturalization Between the United States of America and Albania, Signed at Tirana, January 21, 1931

The Government of the United States of America and the Government of the Kingdom of Albania, being desirous of reaching an agreement concerning the status of naturalized citizens or subjects of either country who were formerly nationals of the other, and the liability for military service and other acts of allegiance of such persons and of persons born in the territory of either state of parents having the nationality of the other, have resolved to conclude a treaty on these subjects, and for that purpose have appointed their plenipotentiaries, that is to say:

The President of the United States of America: Herman Bernstein, Envoy Extraordinary and Minister Plenipotentiary of the United States of America to Albania, and

His Majesty, the King of the Albanians: His Excellency, Pandeli J. Evangheli, Prime Minister and Minister for Foreign Affairs ad interim;

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

580766—46——60

ARTICLE I

Nationals of the United States who have been or shall be naturalized in Albanian territory shall be held by the United States to have lost their former nationality and to be nationals of Albania.

Reciprocally, nationals of Albania who have been or shall be naturalized in territory of the United States shall be held by Albania to have lost their original nationality and to be nationals of the United States.

The foregoing provisions of this Article shall cease to be in force as to either party to this convention whenever it may be at war.

The word "national", as used in this convention, means a person owing permanent allegiance to, or having the nationality of, the United States or Albania, respectively, under the laws thereof.

The word "naturalized", as used in this convention, refers only to the naturalization of persons of full age, upon their own applications, and to the naturalization of minors, through the naturalization of their parents. It does not apply to the acquisition of nationality by a woman through marriage. Minor children of persons naturalized in either country shall not acquire the nationality of that country until they shall have established their habitual residence there.

ARTICLE II

Nationals of either country, who have or shall become naturalized in the territory of the other, as contemplated in Article I, shall not, upon returning to the country of former nationality, be punished for the original act of emigration, or for failure to respond to calls for military service accruing after bona fide residence was acquired in the territory of the country whose nationality was obtained by naturalization.

ARTICLE III

If a national of either country, who comes within the purview of Article I, shall renew his residence in his country of origin without the intent to return to that in which he was naturalized, he shall be held to have renounced his naturalization.

The intent not to return may be held to exist when a person naturalized in one country shall have resided more than two years in the other; but this presumption may be overcome by evidence to the contrary.

ARTICLE IV

A person born in the territory of one party of parents who are nationals of the other party, and having the nationality of both parties under their laws, shall not, if he has his habitual residence, that is, the

place of his general abode, in the territory of the state of his birth, be held liable for military service or any other act of allegiance during a temporary stay in the territory of the other party.

ARTICLE V

The present Treaty shall go into effect immediately upon the exchange of ratifications, and shall continue in force for ten years. If neither party shall have given to the other six months previous notice of its intention then to terminate the Treaty, it shall further remain in force until the end of twelve months after either of the contracting parties shall have given notice to the other of such intention.

IN WITNESS WHEREOF, the respective plenipotentiaries have signed this Treaty and have hereunto affixed their seals.

DONE in duplicate at Tirana, this 21st day of January, 1931.

[SEAL] HERMAN BERNSTEIN
[SEAL] PANDELI J. EVANGHELI

711.754/48

The Acting Secretary of State to the Minister in Albania (Bernstein)

No. 91 WASHINGTON, November 2, 1931.

SIR: In considering the question of the submission to the Senate of the treaty between the United States and Albania concerning nationality and military service, which was signed at Tirana January 21, 1931, the Department has concluded that it is desirable to take steps to clarify the meaning of Article I, particularly with reference to the third paragraph thereof, in order that this Article of the treaty may not be open to misinterpretation. The first three paragraphs of Article I read as follows:

"Nationals of the United States who have been or shall be naturalized in Albanian territory shall be held by the United States to have lost their former nationality and to be nationals of Albania.

"Reciprocally, nationals of Albania who have been or shall be naturalized in territory of the United States shall be held by Albania to have lost their original nationality and to be nationals of the United States.

"The foregoing provisions of this Article shall cease to be in force as to either party to this convention whenever it may be at war."

The third paragraph, just quoted, was proposed by this Government merely for the purpose of making the treaty coincide with the provision of Section 2 of the Act of Congress of March 2, 1907, "that no American citizen shall be allowed to expatriate himself when this country is at war". The Department has construed this provision to

mean that, if an American citizen obtains naturalization in a foreign state while the United States is at war, such naturalization does not have the effect of causing a loss of the nationality of this country while the United States remains at war, although it does have the effect of causing such loss as soon as the United States ceases to be at war. However, as the paragraph now stands, it might be construed to mean that, whenever either country which is a party to the convention is at war, it is not subject to the obligations contained in the preceding part of Article I, that is, while it is at war, it is not obliged to recognize the naturalization of its former nationals in the other country as having terminated their former nationality, and is therefore free to treat them as its own nationals, even though the naturalization was obtained prior to the time when the state of war began. Such a construction, if followed, would to a considerable extent nullify the objects intended by the treaty.

The Department desires that you discuss this matter informally with the Foreign Minister, with a view to reaching a satisfactory solution of the difficulty mentioned. In doing so, you may say that, in view of the difficulties arising out of the paragraph in question, this Government would be glad to sign a new treaty with the paragraph omitted entirely, if this should be agreeable to the Albanian Government notwithstanding the fact that it has ratified the treaty already signed. In this connection you may say that the Department is considering the desirability of omitting similar paragraphs in treaties to be negotiated with other governments, not only because they might be susceptible to misconstruction, but also because they might be regarded as being out of harmony with the Pact for the Renunciation of War,[10] by unnecessarily anticipating the condition which all parties to the Pact desire to avoid.

If you ascertain that the Albanian authorities are ready and willing to sign the treaty again, with the third paragraph of Article I omitted, you are hereby authorized to sign such treaty, at the same time sending to the Foreign Office a note setting forth the reasons for the omission of the paragraph, as stated above.

The Department considers that it is unnecessary to effect a new exchange of full powers for the present purpose, and believes that the Albanian Government will share this point of view.

Very truly yours, W. R. CASTLE, JR.

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[10] Signed August 27, 1928, *Foreign Relations*, 1928, vol. I, p. 153.

AUSTRALIA

PROPOSED TREATY BETWEEN THE UNITED STATES AND AUSTRALIA RELATING TO RIGHTS OF ENTRY FOR BUSINESSMEN[1]

711.415 Traders/7

Memorandum by the Under Secretary of State (Cotton) of a Conversation With the British Ambassador (Lindsay)

[WASHINGTON,] April 29, 1930.

I had a talk with the British Ambassador and we talked over several things, —

First, he wants to know about the various British claims which have been recommended to Congress for payment. I told him I thought I remembered that we had done all we could on that but we would take it up again.

Second, they have apparently considered the Australian position as to which I have for some time held the annexed file.[1a] The Ambassador suggests an *ad hoc* treaty with Australia covering this specific point for submission at the next session of Congress and asks if we will draft such a treaty. I told him I would consider it.

Will the Treaty Division draft such a treaty and submit to me?

J[OSEPH] P. C[OTTON]

711.415 Traders/2

The British Ambassador (Lindsay) to the Secretary of State

No. 474 WASHINGTON, 19 December, 1930.

SIR: On April 26th last [*sic*] I discussed with the Under Secretary of State the desire of His Majesty's Government in Australia to remedy the situation under which Australian business men are unable under existing United States law to obtain visas as treaty traders. I have now been instructed by His Majesty's Principal Secretary of State for Foreign Affairs to inform you that since the question was first taken up in 1926 the Commonwealth Government have always believed that the United States Government were anxious to remove

[1] For previous correspondence regarding entry of Australian businessmen into the United States, see *ibid.*, 1927, vol. I, pp. 437 ff.

[1a] Not printed.

what is, in effect, an accidental discrimination against Australian business men as compared with business men from the United Kingdom. They desire to emphasize that United States business men have complete liberty to enter Australia on business, while Australian business men are obliged to enter the United States on visas as temporary visitors which have to be renewed every six months. They earnestly hope that the United States Government will see a way to meet their wishes in the matter at an early date and so remove a discrimination, which is always a cause of embarrassment to them.

It appears from previous discussions that this could most simply be achieved by the conclusion of a short *ad hoc* treaty extending specifically to Australian business men the right to enter the United States as treaty traders. I have accordingly been instructed to urge that such a treaty may be concluded, and that action may be taken to this end during the present session of Congress.

I have [etc.] R. C. LINDSAY

711.415 Traders/3

The British Ambassador (Lindsay) to the Under Secretary of State (Cotton)

WASHINGTON, 19 December, 1930.

DEAR MR. UNDER SECRETARY: With reference to our recent conversation I am writing to say that I have to-day addressed a note to the Secretary of State on the subject of the admission of Australian business men to the United States. The Australian Government are most anxious that the matter should be settled at an early date. On several occasions when questions have been asked they have intimated that the matter was the subject of conversations, and if the negotiations prove fruitless they anticipate that they may find themselves faced by a considerable volume of popular protest, which would be strengthened by the fact that American business men have complete liberty to enter and carry on business in Australia. They fear that the dissatisfaction which would result in Australia might possibly have damaging effects on American commercial and other relations with the Commonwealth, which they are naturally most anxious to avoid. Knowing your interest in the matter I am therefore writing to express the hope that if the proposed course of action meets with the approval of your government we may be able to agree upon a draft at a sufficiently early date to enable the matter to be considered by Congress before the close of the present session.

Yours very sincerely, R. C. LINDSAY

711.415 Traders/3

The Under Secretary of State (Cotton) to the British Ambassador (Lindsay)

WASHINGTON, December 23, 1930.

MY DEAR MR. AMBASSADOR: Referring to your note of the nineteenth I should be very glad to consider such a draft as you mention in that note in regard to the Australian matter, with the idea that the draft should be completed promptly. I assume that your Australians have a draft in mind of what they want to accomplish, and that the first draft of the draft will come from you.

Sincerely yours, J. P. COTTON

711.415 Traders/24½

The Under Secretary of State (Castle) to the Chief of the Treaty Division (Barnes)

WASHINGTON, April 27, 1931.

MR. BARNES: The British Ambassador told me that he had had a long discussion with Mr. Cotton on the subject of the exclusion of Australian business men and that it had been decided that the best way to overcome the situation was to sign a treaty covering the subject. Mr. Cotton asked the Ambassador if he would prepare a treaty which we could consider. The Ambassador left with me the attached draft conventions,[2] in order that we might look them over and give him very informally our ideas as to which of the two was the better.

I should be glad if you could make a study of the thing as soon as possible, in order that I can have another talk with the Ambassador.

W[ILLIAM] R. C[ASTLE, JR.]

711.415 Traders/29

The British Chargé (Osborne) to the Acting Secretary of State

WASHINGTON, August 6, 1931.

MY DEAR MR. ACTING SECRETARY: On August 3rd I asked you whether we might shortly expect to hear the Department's views on the two alternative draft treaties respecting the admission of Australian business men to the United States, which I understand Sir Ronald Lindsay handed to you on April 27th last. You told me that though the question would shortly be considered by a Departmental

[2] Neither printed.

Committee, we should probably have to wait for a reply until Congress met in December next. You said that there would then be submitted to the Senate a Commercial Treaty with Poland [3] which would include the provisions we wanted in respect of Australians. You added that the difficulty lay in the fact that these provisions would require an amendment of the Immigration Act:[4] if they went through the Senate as a part of a comprehensive treaty with Poland the House would probably raise no objection to the necessary amendment of the Immigration Act and it would therefore be easier to obtain a similar amendment in connection with the proposed Treaty for enabling the admission of Australian traders. You thought, however, that if the Senate were to pass the latter first the House would demur to the amendment.

As I understand Sir Ronald Lindsay explained to you, the two alternative draft treaties which he gave you semi-officially on April 27th last, asking to be informed which the Department preferred, are entirely provisional in character and have not yet even been shown to the Commonwealth Government. As you know, they differ somewhat in form, and all that we are anxious to know is which of the two commends itself most in form to your Government for the purpose of arranging for the admission of Australian business men to the United States, and also which of the two is most likely to recommend itself to the Senate. The final draft of the treaty will be prepared only after consideration of your views on the two provisional drafts which you now have. As, therefore, it would seem that the difficulties over the passage of the treaty through Congress can only arise in connection with the final draft of the Treaty, do you not think you could let us have now a provisional expression of your opinion on the form of the two drafts?

Believe me [etc.] D. G. OSBORNE

711.415 Traders/30

The Counselor of the British Embassy (Osborne) to the Under Secretary of State (Castle)

WASHINGTON, 17 November, 1931.

DEAR MR. ASSISTANT SECRETARY: You may remember that I wrote you a Private and Confidential letter on August 6th asking if you could let us have at least a provisional expression of your opinion on the two alternative draft treaties regarding the admission of Australian business men to the United States, which were handed to you by Sir Ronald Lindsay on April 27th last.

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[3] See vol. II, pp. 924 ff.
[4] Of 1924, 43 Stat. 153.

The Foreign Office are pressing us for a reply and I should be very grateful to you for anything you could tell me for communication to London.

Believe me [etc.] D. G. OSBORNE

711.415 Traders/30

The Under Secretary of State (Castle) to the Counselor of the British Embassy (Osborne)

WASHINGTON, December 1, 1931.

MY DEAR MR. OSBORNE: I have received your letter of November 17, on the subject of entry privileges for Australian business men desiring to come to the United States to carry on international trade.

The Department plans to bring this question to the attention of the appropriate committee of Congress as soon as practicable after Congress reconvenes in December. It is hoped that in the near future it will be possible to indicate to you what steps can be taken to effect a satisfactory adjustment of the matter.

Very sincerely yours, W. R. CASTLE, JR.

POLICY IN REGARD TO AMERICAN CITIZENS ABROAD JOINING ASSOCIATIONS ENGAGED IN SUBVERSIVE ACTIVITIES IN FOREIGN COUNTRIES

847.00/140

The Consul General at Sydney (Tredwell) to the Secretary of State

No. 587 SYDNEY, March 19, 1931.
[Received April 14.]

SIR: I have the honor to report that within the past few months ten or a dozen new organizations have been formed in Australia, some for the purpose of forming the citizens of the country into one united whole with the idea of insisting upon sanity in politics and government, some of the others for political purposes, and one or two for the purpose of defense in time of trouble. In my despatches Nos. 331, dated October 27, 1930, and 526, dated February 3, 1931,[5] I advised the Department of a new organization, which is now known as "X", but more recently some of the younger and more hot-blooded youth of the community have commenced an organization known as "The New Guard".

[5] Neither printed.

There is enclosed herewith a copy of the form issued to those asked to join, which they are expected to sign, together with a copy of a form which evidently is intended for registration and filing purposes.[6]

The question has been raised by an American citizen as to whether or not his citizenship status would be affected if he joined this organization known as "The New Guard".

This individual has been informed that this Consulate General looks with disfavor upon any American citizen joining an organization in this country which might have as one of its objects, or as a result of its object, the use of force and the carrying of arms. Americans who have approached the writer have been informed that so far as he is aware there is no prohibition against Americans joining such organizations, but that if they did so it would have to be entirely upon their own responsibility and without any thought of assistance from this office or the American Government, in the event that they involved themselves in difficulties with the constituted authorities of the country.

The Department may be assured that all Americans will be discouraged from joining any of these organizations and they have been advised that any oath of allegiance to a foreign government would automatically, in the opinion of the writer, cause them to lose their citizenship.

In the circumstances, this Consulate General requests to be informed as to the policy of the American Government in regard to American citizens joining this or similar associations which might have for their object the defeat of any political party in this country or which might bring them into conflict with the constituted forces of the Government. The writer was informed yesterday, in the strictest confidence, by the Vice-Chancellor of the University, that it was becoming more and more evident every day that disorders are likely to occur and that armed conflict between various elements of the community may be expected. The writer has feared this for some time, but is not yet prepared to endorse the views expressed to him by even this able authority. The situation, nevertheless, is fraught with grave danger.

Respectfully yours, ROGER CULVER TREDWELL

847.00/140

The Secretary of State to the Consul General at Sydney (Tredwell)

WASHINGTON, May 15, 1931.

SIR: With reference to your confidential despatch of March 19, 1931, concerning secret organizations in Australia, the Department

[6] Enclosures not printed.

approves your action in discouraging Americans who desire to enroll in certain local political organizations designed to influence political affairs in Australia by extra legal methods.

With particular reference to your request to be advised as to the policy of this Government in regard to American citizens joining associations which might have for their object the defeat of any political party in Australia or which might bring them into conflict with the constituted forces of the Government, you are advised that in certain previous instances which have arisen the Department has advised that it cannot countenance any attempt of American citizens to foment disorders in foreign territory, and that it will not be disposed to intervene to prevent their just punishment by the appropriate authorities.

Paragraph 7 of the General Instructions for Claimants contained in a publication of the Department under date of October 1, 1924, entitled "Application for the Support of Claims against Foreign Governments" provides:

"Not all persons of American nationality, however, are entitled to the protection of the United States. Acts which have in the past been regarded as sufficient grounds for the Government to decline protection to Americans in particular cases are, among others, maintaining extended domicile in a foreign country, unneutral conduct, acceptance of office under a foreign Government, active participation in foreign politics, participation in filibustering or insurrectionary movements against a friendly foreign Government, seeking refuge from justice, and, generally, acts inconsistent with allegiance to the United States."

The Department cannot, in the nature of things, announce a definite policy on this subject. Aside from the question of forfeiture of citizenship the acts of American citizens abroad have significance with respect to the question of protection. The degree and nature of the protection which this Government will extend to the persons and property of its citizens vary with the facts and circumstances of each particular case. Citizens guilty of censurable conduct or unfriendly acts against a foreign government, with which this Government is at peace, may expect an abatement of the protection ordinarily granted to those of innocent character and action. Hostility to the local government or violation of its laws may produce a corresponding and equivalent indisposition on the part of this Government to intercede on behalf of those guilty of such offenses.

In this connection, there is quoted for your confidential information and guidance a summary of the Secretary's press conference on April 3, 1929:

"At the press conference this afternoon Secretary Stimson said he had seen some statements in the press indicating danger of American

citizens enlisting on one side or the other in the Mexican trouble since they did not appreciate the danger they were incurring by so doing. He said that in 1912 when there was a similar situation in Mexico the President issued a proclamation warning Americans of the danger and while no formal proclamation is being made now it does seem necessary that attention be called to the danger and to the fact that the danger is so significant that during the previous trouble in Mexico warning was given by proclamation. Secretary Stimson read the pertinent portions of the proclamation issued in 1912,[7]

> 'and finally I do hereby give notice that all persons owing allegiance to the United States who may take part in the disturbances now existing in Mexico, unless in the necessary defense of their persons or property, or who shall otherwise engage in acts subversive of the tranquility of that country, will do so at their peril and that they can in no wise obtain any protection from the Government of the United States against the appropriate legal consequences of their acts, in so far as such consequences are in accord with equitable justice and humanity and the enlightened principles of international law.'

"Secretary Stimson interpreted the proclamation as meaning that in case an American citizen should enlist with the insurrectionary forces, he places himself in the category of people who are recognized by Mexico as traitors, and incurs the penalty of treason. This country can do nothing to protect him from the fate of a traitor, provided the penalty is meted out according to international law.

"A correspondent asked if any official reports of the enlistments had been received. The Secretary said he had no official information. He had merely observed certain newspaper articles regarding such enlistments. However, he was of the opinion that ardent young Americans who might enlist without looking into the provisions of international law in such cases should be warned as he did not want to see them suffer."

You may, therefore, inform American citizens that their participation in political activity may result in either the refusal on the part of this Government to extend protection or the curtailment thereof, according to the facts of the particular case.

Very truly yours, For the Secretary of State:
W. R. Castle, Jr.

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[7] Proclamation by President Taft, dated March 2, 1912, *Foreign Relations*, 1912, p. 732.

AUSTRIA

RATIFICATION OF COMMERCIAL TREATY OF JUNE 19, 1928, BETWEEN THE UNITED STATES AND AUSTRIA, WITH SUPPLEMENTARY AGREEMENT SIGNED JANUARY 20, 1931[1]

711.632/51a : Telegram

The Secretary of State to the Minister in Austria (Washburn)

WASHINGTON, February 12, 1929—6 p. m.

3. 1. On February 11 the Senate gave its advice and consent to the ratification of the treaty of friendship, commerce and consular rights with Austria, subject to a reservation "to be set forth in an exchange of notes between the High Contracting Parties so as to make it plain that this condition is understood and accepted by each of them: That the sixth paragraph of Article VII shall remain in force for 12 months from the date of exchange of ratification, and, if not then terminated on 90 days' previous notice, shall remain in force until either of the high contracting parties shall enact legislation inconsistent therewith, when the same shall automatically lapse at the end of 60 days from such enactment, and on such lapse each high contracting party shall enjoy all the rights which it would have possessed had such paragraph not been embraced in this treaty."

2. The effect of this reservation is to limit the term of the sixth paragraph of Article 7 in a manner similar to that of the reservation to the commercial treaty with Germany.[2]

3. This reservation was made notwithstanding the fact that the Secretary of State appeared before the Committee on Foreign Relations and asked that the treaty be approved as signed.

4. Awaiting more definite instructions you may informally inform the Austrian Government of the foregoing.

KELLOGG

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[1] For correspondence concerning negotiation of the treaty, see *ibid.*, 1928, vol. I, pp. 924 ff. For text of the treaty, see *ibid.*, p. 995; for texts of notes exchanged January 20, 1931, regarding Senate reservation of February 11, 1929, see *ibid.*, pp. 1006 and 1007; for text of supplementary agreement signed January 20, 1931, see *ibid.*, p. 1007.

[2] Signed December 8, 1923, *ibid.*, 1923, vol. II, p. 29.

711.632/54

The Minister in Austria (Washburn) to the Secretary of State

No. 2122 VIENNA, February 26, 1929.
[Received March 16.]

SIR: Referring to my telegram No. 1 of February 7th, 11 a. m., and to the Department's telegrams No. 2 of February 8th, 1 p. m.,[3] and No. 3 of February 12th, 6 p. m., I have the honor to report that the news that the Senate had given its advice and consent to the ratification of the Treaty of Friendship, Commerce and Consular Rights with Austria subject to a reservation caused a visible, if temporary, annoyance in the Austrian Foreign Office. The proposal to limit the term of the sixth paragraph of Article VII in a manner similar to that in the Commercial Treaty with Germany was not at first understood here, especially as it was immediately recalled that Article XXV in the draft form as agreed upon provided for the special termination of the sixth paragraph of Article VII in accordance with the German Treaty precedent. The amendment to Article XXV was made at the last moment, it will be remembered, at my suggestion pursuant to instructions received in the Department's telegram No. 29 of June 5th, 1928, 4 p. m.,[4] where, *inter alia*, it was said:

"Department has altered policy toward Senate reservation to Article VII of German Treaty and is signing treaty with another country including provision for the national treatment of shipping obligatory for full term of treaty. Department would prefer to have all treaties submitted to the Senate the next session uniform in this respect."

The Foreign Office here, including the Chancellor, with whom I talked yesterday, now understand and appreciate the situation fully.

There were two factors that contributed to the Government's discomfort: (1) the necessity of laying this matter *de novo* before a Cabinet Council and going to Parliament again to receive sanction for the alteration, inasmuch as under the Austrian constitutional system no change can be made in a treaty without parliamentary sanction, just as with us the advice and consent of the Senate are required; (2) there has been some apprehension that the Opposition may criticise the Government for not having anticipated this difficulty. This fear still exists and if it proves to be well founded, the Government can only answer that the difficulty was foreseen and provided for; that the Treaty was altered at the last moment at our suggestion; and that apparently the State Department and the Senate were not in full accord on this matter. The point is not overlooked here that one-third of the Senate can defeat ratification and that

[3] Neither printed.
[4] *Foreign Relations*, 1928, vol. I, p. 994.

concessions must be made to a very considerable minority. It has been pointed out to me that if the original provision had been retained it would probably have passed through Parliament without attracting the slightest attention or comment. Now attention must be focused upon this exception and there may be some unpleasantness. It is hoped however that the ways may be smoothed before hand, but much will depend upon the parliamentary temper at the moment. At all events there is likely to be a delay of some weeks which the Government would have preferred to have avoided. I fear the disposition may be in future to await action by the Senate before taking parliamentary action here. In any case the necessity of embroidering the Treaty effected through an exchange of notes is deplored here. It was referred to by one of the Ministers at the Foreign Office as a "Schönheitsfehler"—in other words, a blemish.

Awaiting the more definite instructions forecasted in the final paragraph of the Department's before-mentioned telegram No. 3,

I have [etc.] ALBERT H. WASHBURN

711.632/57

The Minister in Austria (Washburn) to the Assistant Secretary of State (Castle)

VIENNA, July 23, 1929.
[Received August 3.]

DEAR CASTLE: Our Commercial Treaty with Austria as prepared for signature contained a special provision in relation to shipping in conformity to the reservation made by the Senate in the German-American Treaty. At the last moment this provision was struck out under Department instructions. Then the Senate re-inserted its original reservation in the face of Department opposition. The Department advised me of this in its telegram No. 3 of February 12th, 6 p. m., intimating that "more definite instructions" would follow. These instructions have never been received. In my telegram No. 12 of April 6th, 10 a. m.,[5] I stated that the Austrian Government was betraying some uneasiness and asked for advices.

I am sure that the Solicitor's office has the best of reasons for its silence, but meanwhile the situation is becoming a little difficult, especially because it is provided that the Treaty shall remain in force for a term of six years from the date of exchange of ratifications. The Treaty contains, as you know, the unconditional favored nation clause and there is a disposition everywhere in Europe, as you are aware,

[5] Not printed.

to have free hands to denounce this provision after a few years. I got the very outside limit, going a little beyond the denunciation dates which Austria has in its treaties with other countries. That was in June of last year, thirteen months ago, and I fear that if the matter is delayed Parliament here, to which the Treaty must again be referred, will itself adopt a reservation cutting down the period of denunciation and this will in turn necessitate another reference to the Senate.

You are familiar generally with this situation. I am already definitely on record and after my telegram of April 6th I hesitate to press the matter officially. If you agree with me, perhaps you can cause an enquiry to be made and it will be found possible to push this matter along. The Austrian Parliament will not come together before September, so that nothing could be now done until then anyway. This gives a little leeway. In any event, I am genuinely concerned about the denunciation provision.

Sincerely yours, ALBERT H. WASHBURN

711.632/57

The Assistant Secretary of State (Castle) to the Minister in Austria (Washburn)

WASHINGTON, August 28, 1929.

DEAR WASHBURN: I duly received your personal letter of July 23, 1929, referring to the fact that the Department has not sent you its promised instructions in regard to this Government's ratification of the treaty of friendship, commerce and consular rights between the United States and Austria.

You are, of course, aware that the question of national treatment of shipping is one about which, since the passage of the Merchant Marine Act, 1920,[6] there has been a fundamental difference of opinion within the Government. The Executive has stood firmly for maintaining the traditional policy of the United States, but there has always been enough sentiment in Congress for preferential treatment of American vessels to persuade the Senate that, at least, the way should be left open for a change of policy so far as the new treaties are concerned.

That was the reason for the original reservation to the German treaty. At the time that the treaty with Austria was signed, it was believed in the Department that approval by the Senate could be obtained without the reservation. The reservation was made, however, notwithstanding that Secretary Kellogg went before the Committee

[6] 41 Stat. 988.

on Foreign Relations and argued to have the treaty approved without it.

Difficulties in connection with the treatment of American vessels in other countries have recently confirmed the Executive in the opinion that the policy of reciprocal national treatment should be maintained. Shortly after the resolution of the Senate on the treaty with Austria, on February 27, 1929, the President sent a similar treaty with Norway [7] to the Senate and it has been the hope of the Department that approval by the Senate without the reservation could be obtained in this case. The President has never ratified the treaty with Austria and it has been tentatively planned in the Department that, should the treaty with Norway be approved without reservation, the President might be asked to resubmit the treaty with Austria with a view to having the reservation eliminated.

Meanwhile, much time has elapsed without any action having been taken on the Norwegian Treaty and without a decision having been made in the matter of resubmitting the Austrian treaty. Of course, it is not necessary, though it might be good strategy, to put off a decision in the Austrian case until after the Norwegian case has been passed upon by the Senate. The situation in Congress is such as to make very difficult any undertaking to obtain action by the Senate with reference to a treaty. It is not improbable that all treaty matters involving any difference of opinion will be put off until the regular session.

I shall be glad to keep you informed of developments and shall hope that an opportunity will soon arise to send you official instructions in the matter.

I trust that you will keep us informed, either officially or unofficially, of developments there. The drift toward a departure from the policy of most-favored-nation treatment in Central Europe seems to me to constitute a distinct threat to American commerce.

With kindest regards [etc.] WILLIAM R. CASTLE, JR.

663.113 C.P./5 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

VIENNA, June 25, 1930—6 p. m.
[Received June 25—3 : 15 p. m.]

28. My telegram No. 26, June 21, noon.[8] Discussed Senate reservation to article 7, paragraph 6, of commercial treaty with Foreign Office

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[7] Signed June 5, 1928, *Foreign Relations*, 1928, vol. III, p. 646.
[8] Not printed.

which is willing to accept reservation, in fact it had already been approved in draft of treaty and eliminated shortly before signing. Foreign Office advises me if treaty with reservation is resubmitted to Austrian Parliament for ratification it will undoubtedly be amended to expire in 1935, whereas in present form it will continue for 6 years from exchange of ratifications. Apparently Senate reservation could be safely eliminated as Austria has no transatlantic vessels nor any seaport. It would appear United States has much to gain and little to lose by exchanging ratifications of treaty as signed. To strengthen my position in negotiations with Austrian Government regarding discriminations urge elimination of Senate reservation be again taken up with Foreign Relations Committee if possible before Senate adjourns.

STOCKTON

711.632/62a : Telegram

The Secretary of State to the Minister in Austria (Stockton)

WASHINGTON, July 7, 1930—5 p. m.

27. Your 26, June 21, noon,[9] and 28, June 25, 6 p. m. It was not practicable to expect Senate to reconsider reservation during closing days of session, and Senate can not be expected to consider the matter at the special session.

This Government would be willing to exchange ratifications with the reservation, provided no amendment of the treaty in other respects be made by Austria. In the event that Austria should modify the treaty as signed by shortening the term of the entire treaty, or by other amendment, it would become necessary to refer the treaty again to the Senate of the United States to consider that amendment, which could probably not be done until next December. Thus no purpose would be served by seeking to exchange ratifications of treaty with Senate reservation at this time since Austrian amendment would probably delay entry of treaty into force until next December.

Department would be glad if Austrian Government would see its way to undertake to obtain acceptance of Senate reservation by Austrian Parliament without change of term of entire treaty or other amendment. If such acceptance could be obtained, it would not be necessary to submit treaty to Senate again and the treaty could be brought into force at an early date.

STIMSON

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[9] Not printed.

711.632/72

The Minister in Austria (Stockton) to the Secretary of State

[Extract]

No. 67 VIENNA, August 5, 1930.
[Received August 18.]

SIR: I have the honor to refer to the Department's telegram No. 27 of July 7th, 5 p. m., in reply to my telegram No. 28 of June 25th, 6 p. m., concerning the Treaty of Friendship, Commerce and Consular Rights between the United States and the Republic of Austria signed in Vienna on June 19th, 1928. . . .

. . . . . .

Upon my arrival in Vienna I found pending several apparent discriminations against American products:

1. The system of placing valuations upon American automobiles for customs purposes, already a dispute of long standing, was still unsettled.
2. An apparent discrimination against the Vacuum Oil Company's product, Kettleman Hills crude oil, in an amendment to the proposed tariff bill, required action.
3. A recently signed Austro-German commercial treaty appeared to give special advantages to German machinery.
4. A treaty being negotiated with Hungary proposed to give preferential rates on Hungarian flour.

In studying the relation of the most favored nation clause to these matters, I was surprised to find that the commercial treaty between the United States and Austria was not in force. I then went through the negotiations leading up to the signing of the Treaty. I also searched the correspondence exchanged between the Department and the Legation regarding the Senate's reservation, but could not find that the Legation had ever been instructed relative to the action it should formally take with regard to the Senate's reservation which it was intimated in the Department's above quoted telegram No. 3 of February 12th, 1929,[10] would follow.

When I went to the Foreign Office on June 23rd last, to discuss the proposed preferential rates on Hungarian flour and other discriminations, I also took up with Dr. Schüller the status of the Treaty. He informed me that the Austrian Government had never ceased to regret that the Department had had the provision stricken from the approved draft of the Treaty which it is now desired to reinsert in the form of a reservation. I asked him what he thought was the possibility of the Austrian Parliament approving the Senate's reser-

[10] Quotation has been omitted from this despatch; the telegram is printed in full on p. 847.

vation without altering any other provision of the Treaty. He replied that if the Treaty were resubmitted to Parliament it would probably shorten its duration. Dr. Schüller added that the Austrian Government had yielded during the negotiations on many points out of deference to the wishes of the American Government, but that it had felt it necessary to insist upon limiting the life of the Treaty to six years from the exchange of ratifications. He also added that of course the Austrian Government had expected the ratifications to be exchanged in 1929, so that the Treaty could be denounced in 1935.

This Treaty contains the most favored nation clause which the nations of Central Europe are now clearly striving to eliminate from their treaties in favor of special agreements. As all of Austria's commercial treaties can be denounced within or before 1935, Dr. Schüller intimated that the Austrian Parliament might not object to having the Treaty resubmitted to it so that it could shorten its period of duration. He explained that the Senate's reservation is immaterial to the Austrian Government, but that he believed if the Treaty were referred back to the Austrian Parliament it might well take advantage of the opportunity to shorten the term of its validity. He observed that he had learned something about treaty making from this experience and that he would never again make the duration of a treaty depend upon the date of exchange of ratifications.

In accordance with the Department's instructions of July 7th, above referred to, I called on Dr. Wildner at the Foreign Office to discuss the Austrian Government's attitude toward the Senate reservation. Unfortunately Dr. Schüller, who plays the most important rôle in such matters, had left for Rome on July 2nd, to negotiate a treaty with the Italian Government, and will not return to Vienna until the latter part of August. I asked Dr. Wildner whether the Austrian Government would be willing to undertake to obtain ratification of the Senate reservation without Parliament's shortening the term of the Treaty or making any other amendment. He was cautious in his reply, but explained in detail how the Austrian negotiators had first accepted the provision which the Senate now required as a reservation and had later agreed to strike it out at the request of the State Department. Dr. Wildner also informed me of the importance Austria had attached to the duration of the Treaty. He said that the Austrian Government had expected ratifications to be exchanged so that the Treaty would be terminable in 1935, the year in which the British treaty expires. He added that due to unsettled economic conditions the Austrian Government was not willing to commit itself for long periods. Dr. Wildner further stated that the new commercial treaty with Germany (not yet ratified) is for only two years and, confidentially, that the Austrian Foreign Office had to decline to negotiate

a commercial treaty with Rumania because that country wanted one for three years. He was noncommittal about what action the Austrian Government might take regarding my inquiry, but stated that, embarrassing as it would have been to resubmit the Treaty to Parliament in February, 1929, it would be even more embarrassing now to ask Parliament to accept the Senate's reservation without amending the term of the Treaty, as under the most favorable circumstances ratifications could hardly be exchanged before the first of next year, which would make the Treaty terminable in 1937, or nearly two years after the British treaty could be allowed to expire.

In my conference with Dr. Schüller I gathered as much from his manner as from his expressions, which were unusually candid, that Austria was already somewhat embarrassed at the prospect of being tied by a most favored nation treaty which could hardly expire before 1937, even if it were possible to make arrangements to exchange ratifications in the near future.

If the Austrian Government had been requested in February, 1929, to urge immediately upon Parliament the acceptance of the Senate's reservation, I believe that Parliament's ratification without further reservation could have been obtained, since the exchange of ratifications could have followed almost immediately and the date upon which the Treaty was terminable would have been at most only a few months after the date at which the British treaty becomes terminable. The Austrian Parliament will not reconvene until September and even if it should immediately approve the Senate reservation and the exchange of ratifications followed at once, the Treaty would be hardly terminable before the end of 1936. The Schober Government [11] has no party vigorously behind it and even if it expressed its willingness to attempt to obtain the consent of Parliament to the Senate reservation, it might not be able to guarantee that it could succeed.

. . . . . .

The present status of the Treaty is certainly unsatisfactory both to Austria and the United States.

The Department has the choice of the following alternatives:

1. To resubmit the Treaty to the Austrian Government, requesting it to obtain Parliament's ratification of the Senate reservation;
2. To resubmit the Treaty to the Senate, urging it to withdraw its reservation.

In view of the Austrian Government's reluctance to have any of its commercial treaties continue in force after 1935 and in view of its evident coolness towards the most favored nation clause, I am of the opinion that it may be dangerous to resubmit the Treaty to the

[11] Dr. Johann Schober, Chancellor and Minister of Foreign Affairs.

Austrian Parliament without some guarantee against further amendment, unless our Government regards the Senate's reservation as more important than ratification.

I shall continue my discussion of the Treaty with Dr. Schüller as soon as he returns to Vienna. There is one argument which may influence the Austrian Government. It is anxious to have the Treaty expire at the earliest possible date. I can say that the Department would be glad to resubmit the Treaty to the Senate when it convenes in December and to urge it to withdraw the reservation, but that the Senate might not be able to take up the matter immediately and the Department might not be able to obtain the required action before next year, which would still further postpone the date of exchange of ratifications. I can add that, if the Austrian Government can give me a positive guarantee that Parliament will ratify the Senate reservation without shortening the term of the Treaty or making any other amendment, as soon as the reservation is ratified the exchange of ratifications can follow promptly. If it cannot give me such a guarantee, I can state that the Department will resubmit the Treaty to the Senate in December and urge the withdrawal of the reservation. However, as the Senate convenes much later than the Austrian Parliament, I can point out that the Treaty will become terminable much sooner if Parliament will approve the reservation without other amendment than if we wait for the Senate to withdraw its reservation when it convenes. I believe that this argument would have been effective if it had been advanced in February, 1929, even though the Austrian Government may have felt "annoyed" or "embarrassed" at having to resubmit the Treaty to Parliament. I trust that it is not now too late for it to bring about the desired result.

If I am unable to obtain a positive guarantee from the Austrian Government that it can obtain the acceptance of the Senate's reservation by the Austrian Parliament without change of term or other amendment, I shall cable the Department for further instructions.

Respectfully yours, G. B. STOCKTON

711.632/72 : Telegram

The Acting Secretary of State to the Minister in Austria (Stockton)

WASHINGTON, August 26, 1930—11 a. m.

34. 1. Department approves effort to obtain guarantee referred to in last paragraph of your despatch No. 67, August 5.

2. Please keep Department informed by telegraph.

3. Should you be unable to persuade the Austrian Government to accept Senate reservation without reduction of term of treaty, would

you favor asking for such acceptance even if accompanied by limitation of compulsory term to 1935?

CASTLE

711.632/73 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

VIENNA, August 29, 1930—4 p. m.
[Received 4:27 p. m.]

38. Your 34, August 26, 11 a. m. I informed the Foreign Office yesterday that the Department was prepared to urge the Senate, when it convenes in December, to withdraw reservation. Schüller stated, adding Schober was even more decided, that even if Senate should withdraw reservation, the Austrian Government would have to decline to exchange ratifications for 6-year term at this late date. Austrian Government strongly opposed to having any commercial treaty denounceable after February 11th, 1935, date of expiration of British treaty, and feels Parliament would regard as an abuse of power for the government to exchange ratifications which would put in force a treaty continuing until 1937 which it was anticipated would expire in 1935. The Austrian Government therefore declines not only to give guarantee proposed by me but even to undertake to obtain acceptance by Parliament of Senate reservation without changing term of the statutes [*treaty*] as suggested in your 27, July 7, 5 p. m. Schüller contends that for all practical purposes treaty by gentlemen's agreement has been in effect since signing, emphasizing clear understanding during negotiations that the treaty would be denounceable in 1935 and that Austrian Government agreed to 6 years from exchange of ratifications, relying upon our Government to ratify without amendment in early part of 1929.

In view of position of Austrian Government that it cannot exchange ratifications with or without Senate reservation without also shortening term of the treaty, there is apparently no alternative but to accept Austrian ratification with shortened term to avoid having to refer treaty twice to the Senate.

STOCKTON

711.632/74 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

VIENNA, September 2, 1930—5 p. m.
[Received September 2—3:24 p. m.]

[40.] My telegram No. 38, August 29, 4 p. m. Schüller has confirmed in informal memorandum Austrian Government's position pro-

posing exchange of notes to contain reservation and 4-year term from exchange of ratifications, apparently assuming that ratifications could be exchanged about February. He reiterates that Austrian Government's desire to shorten term is independent of ultimate fate of Senate reservation, apparently meaning whether Senate should withdraw or Austrian Parliament should fail to approve reservation. He has however twice assured me that reservation was immaterial to Austrian Government.

STOCKTON

711.632/76 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

VIENNA, November 25, 1930—5 p. m.
[Received November 25—2 : 20 p. m.]

61. My despatch 95, September 2.[12] New Parliament will convene December 2. Request instructions concerning treaty.

STOCKTON

711.632/75 : Telegram

The Secretary of State to the Minister in Austria (Stockton)

WASHINGTON, December 8, 1930—6 p. m.

45. Your 61, November 25, 5 p. m. You are requested to propose to the Austrian Government the signature of a supplementary article to the treaty of friendship, commerce and consular rights signed June 19, 1928, substantially as follows:

"Supplementary Article.

The United States of America and the Republic of Austria, by the undersigned, the Minister of the United States of America at Vienna and the Minister for Foreign Affairs of Austria, their duly empowered plenipotentiaries, agree as follows:

Notwithstanding the provisions of the first paragraph of Article XXIV of the treaty of friendship, commerce and consular rights between the United States of America and Austria signed June 19, 1928, to the effect that the said treaty shall remain in force for the term of six years from the date of the exchange of ratifications, it is agreed that the said treaty may be terminated on February 11, 1935, or on any date thereafter, by notice given by either Contracting Party to the other Party one year before the date on which it is desired that such termination shall become effective.

Done in duplicate, in the English and German languages, at Vienna, this . . . . . day of . . . . . one thousand nine hundred and thirty."

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[12] Not printed.

Inasmuch as the proposed agreement would effect a change in the terms of the treaty which the Senate of the United States has approved, it will be necessary to submit the agreement to the Senate. For this purpose a formal article such as the above will be more satisfactory to the United States than an exchange of notes.

Upon telegraphic advice of Austria's acceptance, full power to sign the supplementary article will be forwarded and you will be notified thereof by telegraph.

The Department has decided that it will be impracticable to ask the Senate to withdraw the reservation. Referring to the Department's telegram No. 3 of February 12, 1929, for text of reservation, please ask the Austrian Government to take such steps as may be necessary for its acceptance by Austria by exchange of notes as provided in the Senate resolution of February 7, 1929. For model of such notes see Treaty Series No. 725, pages 32 and 33.

STIMSON

711.632/79 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

VIENNA, December 11, 1930—5 p. m.
[Received 6:46 p. m.]

64. Department's telegram No. 45, December 8, 6 p. m. Had satisfactory conference with Schüller who has agreed in principle and to methods proposed. He assures me of his cooperation and will push matter energetically. Cannot urge too strongly that way be paved to secure Senate's ratification, during present session, of supplementary article as soon as Austrian Government has ratified it and approved proposed exchange of notes.

[Paraphrase.] In view of the economic conditions now prevailing in Central and Southeastern Europe, which have resulted in increasing opposition here to most-favored-nation clause, I consider treaty more important to us than to Austria and feel that it is extremely advisable to effect exchange of ratifications at the earliest possible date. Progress of negotiations will be reported to Department by telegraph. [End paraphrase.]

STOCKTON

711.632/84 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

VIENNA, January 20, 1931—5 p. m.
[Received January 20—1:50 p. m.]

3. Department's telegram 45, December 8, 6 p. m. Forwarding pouch tomorrow Austrian Government's acceptance Senate reservation and

supplemental article signed today. Urge Senate's consent to supplemental article be obtained earliest possible date. Will press for immediate ratification by Austrian Parliament.

STOCKTON

711.632/86 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

[Paraphrase]

VIENNA, January 23, 1931—3 p. m.
[Received 3 : 54 p. m.]

5. Reference to Department's No. 2 of January 22.[13] MacCormac [14] received intimations about treaty from Schober at recent press luncheon. Increasingly unfavorable attitude here toward most-favored-nation clause recently reported by me is demonstrated in Austrian-Hungarian negotiations. These discussions give further evidence of desirability of gaining Senate's immediate consent to supplemental article. The attitude of Austria toward the treaty with the United States has changed during eight years of negotiation from eagerness to reluctance. Because of the collapse of negotiations which followed the Senate reservation of February 1929, I fear that Austrian Parliament will not ratify treaty until Senate gives consent to supplemental article. Austrian imports from the United States averaged $28,000,000 annually for the five years ending 1929. Result was an unfavorable trade balance for Austria averaging $19,000,000 annually. Confident ratification of treaty by Austrian Parliament can be obtained when Senate consents to supplemental article. If we do not take advantage of this opportunity before adjournment of Senate it may not come again.

STOCKTON

711.632/91 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

[Paraphrase]

VIENNA, February 17, 1931—1 p. m.
[Received February 17—10 : 30 a. m.]

9. Refer to Department's telegram No. 4 of February 16.[15] Today Schober wanted to know what the prospects were of Senate acting this session. Fear that Austrian Government is stalling while awaiting Senate action.

STOCKTON

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[13] Not printed.
[14] John MacCormac, *New York Times* correspondent in Austria.
[15] Not printed; it stated that the President had sent the supplementary agreement to the Senate on February 14 (711.632/89).

711.632/94a : Telegram

The Secretary of State to the Minister in Austria (Stockton)

WASHINGTON, February 24, 1931—5 p. m.

9. Advice and consent of Senate to ratification of supplementary agreement given February 20. Instrument of ratification of treaty and supplementary agreement will be forwarded for exchange at Vienna upon advice by you by cable that Austria is prepared to effect exchange.

STIMSON

711.632/98 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

VIENNA, March 14, 1931—noon.
[Received March 14—10:35 a. m.]

13. National Council approved supplemental [article] and Senate reservation yesterday. They will go to Federal Council Tuesday.

STOCKTON

711.632/99 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

VIENNA, March 18, 1931—10 a. m.
[Received March 18—7:45 a. m.]

14. Department's telegram No. 9, February 24, 5 p. m. Federal Council approved supplemental article and reservation yesterday. President expected to ratify within a few days. Austrian Government will be prepared to exchange ratifications whenever I have received American instrument of ratification.

STOCKTON

711.632/101 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

VIENNA, March 30, 1931—10 a. m.
[Received March 30—7:14 a. m.]

24. Your 13, March 28, 2 p. m.[16] Austrian President will ratify supplemental article and reservation next week. Urge American instrument be sent me immediately as Austrian Government will be prepared to effect exchange as soon as it reaches me.

STOCKTON

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[16] Not printed.

711.632/101 : Telegram

The Acting Secretary of State to the Minister in Austria (Stockton)

WASHINGTON, April 1, 1931—1 p. m.

15. Your 24, March 30, 10 a. m. The Secretary of State has not yet submitted the treaty, reservation or supplemental article to the President for ratification. This Government has construed acceptance of Senate reservation in exchange of notes by Austria and ratification thereof by President of Austria as conditions precedent to effectiveness of advice and consent of Senate to ratification of treaty and to ratification by President of United States. This construction of Senate reservation was adopted in ratification of treaty with Germany, and ratification by legislative bodies and President of Germany were completed before ratification by President of United States and were recited in the ratification by him. See Treaty Series No. 725, page 34.

Department prefers not to depart from order of procedure followed in case of treaty between United States and Germany.

[Paraphrase.] The information given above should not be discussed with the Austrian Foreign Ministry without further instructions from the Department. Should the Foreign Office raise the question of ratification by the President of the United States you might explain the situation to them as if from your own knowledge rather than by Departmental instruction.

The following comments are strictly confidential and for your own use only. In addition to the technical matters of procedure described above, it is not the wish of the Department to expedite ratification here until the Customs Union [17] situation is more clear, lest the action be taken in some quarters as bearing upon this Government's eventual policy with regard to that union. As a consequence, the Department prefers to await whatever action the Austrian President may take in respect to ratification. [End paraphrase.]

CASTLE

711.632/104 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

VIENNA, April 2, 1931—1 p. m.
[Received 1:30 p. m.]

26. Department's 15, April 1, 1 p. m. Foreign Office has just informed me officially Austrian President ratified supplemental article and

[17] For correspondence concerning the proposed Austro-German Customs Union, see pp. 565 ff.

reservation March 28th. Necessary countersignatures of Chancellor, Minister for Foreign Affairs, and Minister of Commerce have since been affixed and Austria is now ready to effect exchange. Urge President's ratification be expedited.

STOCKTON

711.632/105 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

VIENNA, April 10, 1931—5 p. m.
[Received April 10—2:10 p. m.]

34. Referring to my telegram number 26, April 2, 1 p. m., Foreign Office has formally advised me its readiness to exchange ratifications and has inquired when Legation will be prepared to do so.

STOCKTON

711.632/105 : Telegram

The Secretary of State to the Minister in Austria (Stockton)

WASHINGTON, April 11, 1931—1 p. m.

21. Your 34, April 10, 5 p. m. Question of ratification is being considered by the President but no action can be taken before April 15. A comprehensive instruction in regard to the matter will be sent to you in the near future. Should you find it necessary to make some answer to the Austrian authorities as to when the Legation will be prepared to exchange ratifications, you should confine your answer to a statement that you are awaiting instructions in the premises.

STIMSON

711.632/111a

The Secretary of State to the Minister in Austria (Stockton)

No. 72 WASHINGTON, April 30, 1931.

SIR: There is transmitted herewith, a package containing the instruments of ratification [18] by the President of the Treaty of Friendship, Commerce and Consular Rights between the United States and Austria, signed at Vienna on June 19, 1928, and the supplementary agreement signed at Vienna on January 20, 1931. These instruments are to be exchanged by you for similar instruments of ratification of the treaty, the Senate reservation and the supplementary agreement by the President of Austria.

[18] None of the enclosures mentioned in this instruction are printed.

You will observe that the notes exchanged by you and the Austrian Minister for Foreign Affairs on January 20 last, recording the acceptance by both Governments of the reservation and understanding made in the Senate's Resolution of February 11, 1929, are recited in the President's ratification of the treaty. As the acceptance of the reservation and understanding on the part of Austria was made subject to ratification, such ratification should be stated expressly in one of the Austrian instruments accepted by you.

I am transmitting also the President's full power authorizing you to effect the exchange of ratifications, as well as a form of protocol attesting the exchange. The protocol should be signed in duplicate, and one signed copy should be forwarded to the Department, together with the Austrian instruments of ratification.

Before effecting the exchange of ratifications you should satisfy yourself that, with the exception of the observance of the alternat, the texts of the treaty and of the supplementary agreement as contained in the Austrian instruments of ratification are in exact conformity with these texts as incorporated in the instruments of ratification signed by the President of the United States, and that the notes as ratified by Austria correspond to the notes as included in the President's ratification of the treaty.

On the occasion of the exchange of ratifications, you are requested to leave with the Austrian Foreign Minister a note textually as follows:

Excellency: I have the honor to inform you that I am instructed by my Government to make clear to the Austrian Government that the fact that the Treaty of Friendship, Commerce and Consular Rights, signed at Vienna on June 19, 1928, together with a Supplementary Agreement, signed at Vienna on January 20, 1931, were ratified by the President of the United States at a date subsequent to the announcements by the Austrian Government in reference to a projected Customs Treaty with Germany, has no significance as bearing on the proper interpretation, construction and application of the provision in regard to the most-favored-nation treatment contained in Article VII of the treaty under reference.

Accept, Excellency, the renewed assurances of my highest consideration.

You are further instructed not to make known to the Austrian authorities that you have received the instruments of ratification of the President of the United States, and not to proceed with the exchange of ratifications until you shall have received a further telegraphic instruction specifically authorizing you to do so.

You are requested to acknowledge the receipt of this instruction by telegraph.

Very truly yours, HENRY L. STIMSON

711.632/113 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

[Paraphrase]

VIENNA, May 14, 1931—noon.
[Received May 14—10:40 a. m.]

38. Received Department's instruction No. 72 of April 30 with enclosures.

I fear that exchange of ratifications might be jeopardized by note that I am instructed to leave with Foreign Minister. Austrian Government is not anxious to perfect this treaty. Because of the customs union which is projected between Austria and Germany, the Austrian Government might welcome an opportunity to escape with honor another treaty containing a most-favored-nation clause. Schober stated in a speech last week that the most serious obstacle to the reconstruction and restoration of Europe had been the most-favored-nation clause.

STOCKTON

711.632/113 : Telegram

The Secretary of State to the Minister in Austria (Stockton)

[Paraphrase]

WASHINGTON, May 21, 1931—4 p. m.

25. Reference your No. 38 of May 14, noon. The Austrian Foreign Office may be informed that you are prepared to proceed with the exchange of ratifications. The question of leaving a note with the Foreign Office at the same time, in accordance with instruction No. 72 of April 30, has been reconsidered by the Department. You are authorized to exchange ratifications without presenting any note at all, and therefore to cancel the note contained in instruction No. 72.

Department desires to know when exchange of ratifications will take place.

STIMSON

711.632/116 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

VIENNA, May 27, 1931—11 a. m.
[Received May 27—8:40 a. m.]

42. Ratifications exchanged this morning. Austrian instruments will be forwarded by pouch today.

STOCKTON

OPPOSITION IN AUSTRIA TO THE SHOWING OF THE MOTION PICTURE "ALL QUIET ON THE WESTERN FRONT"[19]

863.4061 All Quiet/3 : Telegram

The Secretary of State to the Minister in Austria (Stockton)

[Paraphrase]

WASHINGTON, March 27, 1931—4 p. m.

11. I have received a communication from the Motion Picture Producers and Distributors of America, Inc.,[20] asking that the United States Government take up officially with the Austrian Government the matter of the ban on "All Quiet on the Western Front." I desire a report from you before I comply with this request, and would like to be advised in regard to the situation and in particular in regard to the possible consequences should the picture be shown in Austria. If you deem it advisable you may discuss the question informally with the appropriate Austrian authorities. You are confidentially informed, in this connection, that the Ambassador in Berlin, notwithstanding the recent vote of the Reichstag favorable to the film, requested me to advise the producers not to try to show the film in Germany, because of the political consequences of the disturbances which might follow. In accord with my suggestion, the producers have decided not to release the picture in Germany.

Please send a short report by telegraph.

STIMSON

863.4061 All Quiet/5 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

[Paraphrase]

VIENNA, [April 2, 1931—4 p. m.]
[Received 4:11 p. m.]

27. Reference Department's 11, March 27, 4 p. m. Apparently Austrian Government not originally opposed to film on its merits. After ban of picture in Germany, German Government asked cooperation Austrian Government as demonstration of solidarity. Federal Government of Austria, lacking constitutional authority to ban film, urged that provinces prohibit it. Social Democratic Vienna ignored recommendation, but other provinces complied. Minor disturbances fol-

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[19] For correspondence concerning similar opposition in Germany, see vol. II, pp. 309 ff.

[20] Not printed.

lowed exhibition of film. Picture withdrawn ostensibly as police measure to prevent further disorder. Saw Schober [21] who stated informally that with few alterations exhibition of film probably would be permitted. Schober said with adequate police protection demonstrations against film would soon cease. Expect definite decision in near future. Confident Schober would not approve withdrawing ban if he foresaw serious disturbances.

STOCKTON

863.4061 All Quiet/7 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

[Paraphrase]

VIENNA, April 8, 1931—5 p. m.
[Received April 8—2:35 p. m.]

33. Department's 17, April 4, noon.[22] Berlin representative Universal Pictures informed me exhibition film had been permitted in Germany at performances closed to general public, but Schober stated today Austrian Minister in Berlin had advised him this was erroneous, that German situation had not changed and could not before reconvening of Reichstag in October. Schober added confidentially that Austria was following Germany's lead in this matter and would act in concert with Germany. He restated, and I agree, that Vienna police can control outbreaks whenever exhibition of picture permitted here. I feel that it would be futile and inadvisable to discuss matter formally with Austrian Government until film is released in Germany. Proposed customs union has bound Austria and Germany even more closely together.[23] In my opinion Austria will not act independently.

STOCKTON

863.4061 All Quiet/10

The Minister in Austria (Stockton) to the Secretary of State

No. 262 VIENNA, April 13, 1931.
[Received April 24.]

SIR: I have the honor to refer to the Department's telegram No. 11, March 27th, 4 p. m., and my telegrams No. 27, April 2nd, 4 p. m., and No. 33, April 8th, 5 p. m., in reply, relative to the film "All Quiet on the Western Front".

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[21] Dr. Johann Schober, Vice Chancellor and Minister of Foreign Affairs.
[22] Not printed.
[23] For correspondence concerning the proposed customs union, see pp. 565 ff.

In the early part of January, Mr. S. Spiegel, a representative of the Berlin office of Universal Pictures, called at the Legation and requested my assistance in connection with the Remarque film. He told me that our Ambassador at Berlin had interested himself in the matter in Germany, and had been very helpful. Before taking any steps in his behalf, I telegraphed to Ambassador Sackett on January 5th, as follows:

"Will be grateful for a telegraphic summary of any instructions you may have received from the Department relative to Remarque film. I am confronted with a similar situation as Austrian Government has recommended that its exhibition be prohibited in the provinces. Vienna Diet which is Social Democratic has authorized its exhibition and disturbances similar to those in Berlin may occur here."

Upon the receipt of his reply to the effect that he had received no instructions from the Department and that consequently the Embassy had taken no action, I informed Mr. Spiegel that I could make no official move in connection with the matter except upon instructions from the Department.

Universal Pictures had attempted to pave the way for the exhibition of this film in Austria by giving a special performance to which were invited the principal Austrian officials and municipal authorities of Vienna. Mr. Spiegel had assured me that the representatives of Universal Pictures had discussed the question with Dr. Winkler, Minister of Interior, and Dr. Schürff, Minister of Justice, and that both these gentlemen, having seen the picture at the special performance, had expressed themselves as having no objection to the exhibition of the film in Austria, even though it had been prohibited in Germany as the result of riots instigated by the National Socialists. However, even at the beginning, this film was viewed here from a political angle, due to the fact that it had been leased for exhibition in Austria by an organization known as "Kiba" (Kinobetriebsanstalt), the largest motion picture distributing agency in Austria, which is controlled by the Social Democratic Party. The Social Democrats were eager to have the picture exhibited. The other political parties, with the exception of the Heimwehr and the relatively unimportant National Socialists, were either indifferent or lukewarm in their opposition. It was at first believed that the Austrian Government would permit the exhibition of the film, but I was later informed by Mr. Spiegel that Dr. Curtius, the German Minister for Foreign Affairs, had appealed to Dr. Schober to exert his influence to have the picture prohibited as an evidence of the solidarity of the two Teutonic nations. The position taken by Dr. Schober in my last conference with him would indicate that this information was substantially correct. The Austrian Federal Govern-

ment, having no constitutional authority to ban the film, could only urge the provinces to prohibit it. All of the provinces complied, with the exception of Vienna, which, being overwhelmingly Social Democratic, ignored the Government's recommendation.

It was originally intended to exhibit the film at the Kiba-owned Apollo Theater, one of the finest in Vienna, where a large percentage of the best first-run pictures are shown. One performance was given at the Apollo on the night of January 3rd. A cordon of police thrown around the theater prevented a mob which had assembled from doing any damage. Kiba then decided not to expose the Apollo again to possible mob violence and transferred the picture to another of its theaters, the Schweden Kino, in the Jewish quarter, on the Danube Canal, where it was first shown on January 7th. There were minor disturbances, but the police were able to prevent any serious disorder. A crowd collected each night, milled around, and broke windows in Jewish shops and cafés. After the picture had been exhibited three days at the Schweden Kino, the Minister of Interior, on January 10th, ordered it withdrawn as a police measure, contending that there was no reason for the State to be put to such heavy expense to protect the picture. It had been necessary to mobilize hundreds of policemen every night in the vicinity of the theater to preserve order, and the business men of the section had added their protests to those of the Heimwehr and National Socialists.

In the early part of March, Mr. Spiegel, who was on his way to Belgrade, again called at the Legation and informed me that, pursuant to a resolution passed by the Reichstag, the exhibition of the film "All Quiet on the Western Front" would be permitted in Germany at performances not open to the general public. He also told me that my colleague at Belgrade had been instructed by the Department to coöperate with Universal Pictures in obtaining a reversal of the censor's decision banning the exhibition of the film in Yugoslavia. Later, at Mr. Spiegel's request, Mr. Prince sent me a copy of the Department's telegram relative to the film.

Mr. Spiegel was in Vienna again on March 28th, when I received the Department's telegram No. 11 referred to above. I immediately made an appointment with Dr. Schober and asked him to explain to me informally the Austrian Government's present attitude towards the film. He said that he had never seen the film, but that he had discussed it with other members of the Government who had seen it, and that personally he had no objection to it. He added he had read in the press that a law had been passed in Germany authorizing the exhibition of the film at closed performances, but that he did not know whether the report had been officially confirmed. He went on to say that if its exhibition were permitted in Germany, the film,

with a few alterations, would probably be released in Austria. He further said that he was not worried about any possible disorder, as, with adequate police protection, demonstrations against the film would soon cease. Dr. Schober promised that he would thoroughly investigate the matter and let me know definitely the following week how the Austrian Government felt about it.

When I saw him again on Wednesday, April 8th, his attitude had changed entirely. The Austrian Minister at Berlin had informed the Austrian Foreign Office that, regardless of press reports to the contrary, there had been no change in the situation in Germany. Dr. Schober explained that a bill had passed the Reichstag providing for closed performances of films banned by the censor, but that the bill had not yet become a law, as President Hindenburg had not signed it. He then told me quite frankly, but in confidence, that Austria was acting in this matter in concert with Germany and would follow Germany's lead, adding that as Germany had declared the film prejudicial to the prestige of the German Army and obnoxious to the German people, the Austrian Government could take no other course than to prevent its exhibition in Austria until Germany's attitude towards the picture had been officially reversed.

Dr. Schober is essentially the police president and he reiterated that the police could easily control the situation should the exhibition of the film be permitted in Vienna. He gave me the impression of a man in an embarrassing position. He had no objection to the film on its merits and he was confident that the police could prevent any serious disorder if its exhibition should be permitted. However, he had to stand by Dr. Curtius as long as the film was banned in Germany. I am informed he has privately stated his regret that the picture had to be withdrawn in the manner it was, as it gave the impression of weakness. He was opposed to yielding to the mob, regardless of how much it cost to maintain public order.

Rioting may result if the picture is again exhibited in Germany, but I agree with Dr. Schober that there will be no serious disorder if the picture is shown again in Vienna. The Austrian character is more easy-going than the German, and the Austrian demonstrates with less violence and determination than his German brother.

On April 9th, the Legation received from the Foreign Office an informal memorandum in English, dated April 7th (the day before I called on Dr. Schober, which would indicate that it was the same memorandum which formed the basis of his statements to me), with regard to the situation in Germany, which read as follows:

"Inquiries instituted in Berlin by the Federal Chancellery (Department for Foreign Affairs) with a view to establishing the facts underlying the news of an alleged release for private view purposes of the

film 'All Quiet on the Western Front' in Germany have given the following result:

The contention publicly made in Austria that the film 'All Quiet on the Western Front' has been released for private view purposes in Germany is obviously due to a misapprehension. It is true that, quite recently, the German Diet and Council have passed a new film bill which, however, has not received the President's assent and, therefore, has not become law for the time being. Under this Bill which, as stated before, has not come into operation the Film Censors, on application and under special circumstances, may give their consent to a film under ban being shown to a private audience. It goes without saying that, in these circumstances, the Film Censors are at liberty either to permit or else to prohibit the exhibition for private view purposes of a film under ban. Hitherto the Bill in question has not become law and as regards the film 'All Quiet on the Western Front' no application has been made and no decision of any sort has been taken by the Film Censors, which implies that the position has not undergone any change. Not until the law in question has been put in force will it be possible to show the film 'All Quiet on the Western Front' to a private audience provided that the Film Censors approve of this course being taken."

As an interesting sidelight on the efforts of Universal Pictures to obtain a removal of the ban upon the exhibition of this film in Germany, I quote in part from a letter from Mr. F. W. Allport, the Berlin representative of the Hays organization, to the Commercial Attaché, dated April 4th:

"As you undoubtedly know, Universal has been working actively to have the film approved in various European countries where it has been barred. They have been extremely active here and have gone so far as to have the Socialist supporters of the film put a law through the Reichstag permitting the showing before special audiences of films rejected for general exhibition by the censor. They have been equally active in overcoming obstacles in other Central and Eastern European countries.

I am afraid their German efforts are in vain. Even though they might obtain the right to show the film to special audiences (members of political parties) the loss that they and the American film industry as a whole would sustain through the resulting political agitation would quite offset the financial advantages they might hope to gain. Consequently, I very much doubt that they will release the film at all in Germany at the present time. The same objection does not necessarily exist in other countries. Consequently we hope that their efforts to show the film in countries apart from Germany may be successful."

The proposed Austro-German customs union now under negotiation has bound Austria even more closely to Germany, and, as stated in my telegram No. 33 referred to above, I am of the opinion that the Austrian Government will not act independently in this matter. If the ban on the film is lifted in Germany, I believe that Universal Pic-

tures will have very little difficulty in obtaining authorization to exhibit it in Austria.

I still feel that, under the circumstances, it would be not only inadvisable but futile for our Government to take any formal steps with a view to having the film released for exhibition in Austria.

Respectfully yours, G. B. STOCKTON

863.4061 All Quiet/13 : Telegram

The Minister in Austria (Stockton) to the Secretary of State

[Paraphrase]

VIENNA, November 5, 1931—5 p. m.
[Received November 5—2:40 p. m.]

122. I have been urging the Austrian Government to permit the showing of the film "All Quiet on the Western Front" in Austria since the exhibition of the film has been allowed in Germany. In spite of the determined opposition of the Minister of the Interior, Winkler, the question was at last brought before a ministerial council on November 3. In view of the present unrest in Austria, especially among the National Socialists, it was decided not to remove the ban on the film for the present as disturbances might follow. I was informed by the Foreign Office, however, that this decision was not meant to suggest that the picture might not be released at some time in the future.

STOCKTON

863.4061 All Quiet/15

The Minister in Austria (Stockton) to the Secretary of State

No. 412 VIENNA, November 7, 1931.
[Received November 25.]

SIR: Referring to my telegram No. 122, of November 5, 1931, 5 p. m., I have the honor to inform the Department that in the latter part of September Mr. Sam Spiegel, of Universal Pictures Corporation, telephoned me from Berlin that after his company had agreed to a few cuts, the German Government had permitted the exhibition of the film All Quiet on the Western Front to the general public. He also requested me again to take up the matter with the Austrian Foreign Office.

When I urged Dr. Schober to use his influence to have the picture released in Austria, he informed me that he would immediately ask Dr. Felix Frank, the Austrian Minister in Berlin, for a report on the situation in Germany. Dr. Schober has frequently assured me that

he was not opposed to the film being shown in Austria if its exhibition was being freely permitted in Germany. It was some time before the report was received from Dr. Frank. However, on October 27, Dr. Schober advised me that he had received a favorable report from Berlin, which he had already transmitted to Herr Winkler, the Minister of the Interior. I told him I had heard that Herr Winkler had for some time vigorously opposed the release of the film, and he admitted that he had received the same impression. The matter was finally brought up at a meeting of the Ministerial Council held on November 3, and Dr. Schober sent me the following *aide mémoire*, dated November 4, which was received at the Legation November 5, the date of my telegram referred to above.

"At the Cabinet meeting held on November 3rd a report was read out by the Minister of the Interior on the position regarding the film 'All Quiet on the Western Front' and the question was discussed of whether or not this film should be released.

"It was established that in view of the disquietude existing especially among the 'National-Socialist Party' and considering that in the event of the film being released fresh disturbances might occur the Government is not in the position to remove the ban on that film at present.

"This does not imply, however, that the film might not be released at a later date."

The Austrian Government has had such a difficult time since the collapse of the Credit-Anstalt, with balancing its budget, the Heimwehr uprising of September 13, the presidential election, negotiating for a loan, and with the issuance of the exchange regulations, that I can readily understand how it was loath to take up any matter of a controversial nature. However, as the present situation is somewhat more tranquil I had hoped in view of Dr. Schober's favorable attitude, that the ban on the exhibition of the film might be removed.

The decision of the Ministerial Council can be taken as evidence of the Government's extreme caution not to do anything which might cause the slightest disturbance. Although the National-Socialists are not strong in Austria, nevertheless the Minister of the Interior apparently feels that they are powerful enough to create a state of disorder which the Government is reluctant to have to cope with at this time. The statement in the *aide mémoire* to the effect that it was not to be implied from the Ministerial Council's decision that the film might not be released at a later date is the same reply I have received from the Foreign Office ever since this troublesome matter was first brought up last January.

If the Austrian Government seriously believes that there might be trouble in the country if the ban on the film were removed, in my opinion the decision was a wise one.

Respectfully yours, G. B. STOCKTON

BOLIVIA

REPRESENTATIONS TO BOLIVIA AGAINST THE IMPOSITION OF A TAX UPON DIPLOMATIC TELEGRAMS

824.733/4 : Telegram

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

LA PAZ, April 15, 1931—11 a. m.
[Received 11:50 a. m.]

33. Manager of the All America Cables notified the Legation yesterday that beginning today he would be required by the Government to collect the taxes prescribed by the law of February 14th, 1929, on all cables except press and Bolivian official. Tax on Legation's cables to the Department will amount to 20 centavos per word plus 50 centavos message. Will protest to Foreign Office on grounds international comity subject to the Department's approval.

TRUEBLOOD

824.733/4 : Telegram

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

WASHINGTON, April 23, 1931—11 a. m.

15. Your 33, April 15. Department approves of your protest on ground of international comity in so far as Legation's telegrams are concerned.

With respect to taxes on consular telegrams mention may be made of Article XXXIII of the Treaty of 1858.[1]

If exemption is granted to diplomatic or other agents of any country under provisions of a treaty or otherwise you should insist upon like treatment under Article XXX of the same treaty.

STIMSON

824.733/6

The Minister in Bolivia (Feely) to the Secretary of State

No. 192 LA PAZ, July 27, 1931.
[Received August 12.]

SIR: I have the honor to refer to this Legation's telegram No. 33, dated April 15, 1931, informing the Department of the statement of

[1] Malloy, *Treaties*, 1776–1909, vol. I, pp. 113, 123.

the local manager of the All America Cables, Incorporated, that he would be required by the Bolivian Government to collect the taxes prescribed by the Law of February 14, 1929, on all cables except press despatches and official messages of the Bolivian Government, and to the Department's telegram No. 15 of April 23, 1931, approving the protest of the Legation against the requirement that such taxes should be paid by this mission.

The Director of Protocol of the Ministry of Foreign Affairs, in a note to the Legation dated July 24, 1931,[2] transmitted a legalized copy of a Supreme Decree issued by the President of the Republic on July 7, 1931, whereby all diplomatic representatives accredited to Bolivia are exempted from the payment of this tax, as well as consular officers to whom exemption from the payment of such taxes has been granted by treaties in effect. A copy of this decree, together with an English translation thereof, is enclosed herewith.[2] It is believed that the matter may now be considered closed.

Respectfully yours, EDWARD F. FEELY

[2] Not printed.

BRAZIL

REPRESENTATIONS AGAINST BRAZILIAN DECREE ESTABLISHING A DISCOUNT OF 50 PERCENT ON CONSULAR FEES TO SHIPPERS BY THE LLOYD BRASILEIRO NAVIGATION COMPANY

832.802 Lloyd Brasileiro Navigation Co./18 : Telegram

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

[Paraphrase]

WASHINGTON, March 20, 1931—6 p. m.

20. If you perceive no objection, the Department desires you to discuss informally and discreetly with the appropriate authorities the possibility of having Decree No. 19682 modified. This decree was published in the *Diario Oficial* for February 12.

The United States Shipping Board has pointed out that certain provisions of this decree, notably article VII, favor the Lloyd Brasileiro Navigation Co. over American shipping companies plying to Brazil, whereas Brazilian ships sailing to the United States receive from the United States essentially the same treatment as American vessels.

In the past American shipping interests have unsuccessfully attempted to secure preferential treatment over foreign vessels by congressional action. The above-mentioned decree will serve as a precedent for further action. In case of possible retaliation, Brazilian shipping would stand to lose more than American shipping would lose from effects of the Brazilian decree.

STIMSON

832.802 Lloyd Brasileiro Navigation Co./24 : Telegram

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

RIO DE JANEIRO, April 29, 1931—3 p. m.
[Received April 29—2:20 p. m.]

24. Department's telegram No. 20, March 20, 6 p. m. and No. 23, April 14, 3 p. m.[1] Foreign Minister states that favors contained decree 19682 are given as a form of subvention to Lloyd Brasileiro, nearly all the shares of which belong to Federal Government; also that the said decree does not establish favors at Brazilian ports to

[1] Latter not printed.

Brazilian vessels nor does it create difference of treatment between ships of this or that flag nor restrict at all the rights of foreign companies. He believes that the reduction of fees collected by Brazilian consuls from shippers who give preference to shipments by the Lloyd Brasileiro boats results from legitimate act of sovereignty and cannot injure the rights of other nationals.

MORGAN

832.802 Lloyd Brasileiro Navigation Co./30

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

No. 3591 RIO DE JANEIRO, May 9, 1931.
[Received May 26.]

SIR: Continuing the subject of Department's telegram to the Embassy, No. 20 of March 20 last 6 P. M., and of the Embassy's telegram to the Department, No. 24 of April 29 last 3 P. M., I have the honor to enclose the Portuguese text, accompanied by an English translation, of Federal Decree No. 19,682 [2] which was published in the *Official Gazette* on April 28, 1931. The first edition of this decree was published in the *Official Gazette* two months before, namely, on February 12, 1931.

In the new version Article 7th to which our Shipping Board has taken exception has not been altered, and acts as an amendment to the Brazilian consular fees established in Decree 19,546 of December 30, 1930. But according to the statement which the Minister for Foreign Affairs has made to me, this clause should be regarded not as a discrimination against foreign shipping companies, but as a form of subvention which the Brazilian Government grants to the Lloyd Brasileiro Steamship Line, which may be considered as an integral part of the national patrimony, because almost all its shares are held by the Federal Government.

The Foreign Minister also stated that the decree does not establish special favors at Brazilian ports for Brazilian vessels, nor does it create a difference of treatment between ships flying foreign or Brazilian flags, nor restrict the rights of foreign steamship companies. The same explanation has been given to the representatives of other Nations whose ships frequent Brazilian ports, notably to the Swedish and Norwegian Ministers to whom the Foreign Minister stated that the discount of 50 per cent which Brazilian consuls grant to shippers who give preference to shipments by the Lloyd Brasileiro boats should be regarded as a legitimate act of Brazilian sovereignty which does not imperil the rights of other nationals.

As the Department is aware, Portugal has granted a rebate in duties to merchandise shipped into Portugal in Portuguese bottoms and

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[2] Enclosures not printed.

though British shippers and shipping companies have protested,[3] they have apparently not succeeded in carrying their point.

Respectfully yours, EDWIN V. MORGAN

832.802 Lloyd Brasileiro Navigation Co./27 : Telegram

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

WASHINGTON, May 16, 1931—noon.

34. Your 24, April 29, 3 p. m. The Department feels that Article 7 of decree 19682, by granting reduction in fees to shippers by Lloyd Brasileiro line, in effect discriminates directly against competing American lines and is thus contrary to the general principle of flag treatment of foreign vessels usually observed by maritime nations. It therefore wishes you informally to present this point of view to appropriate Brazilian authorities and make further effort to secure modification of decree.

CASTLE

832.802 Lloyd Brasileiro Navigation Co./31

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

No. 3604 RIO DE JANEIRO, May 23, 1931.

[Received June 3.]

SIR: Referring to the Department's telegrams No. 20 of March 20, 6 P. M., No. 23, of April 14, 3 P. M., and No. 34 of May 16, 12 noon, also to this Embassy's telegrams to the Department No. 19, of April 15, 11 A. M., and No. 24, of April 29, 3 P. M.,[4] all of which referred to Article 7 of Brazilian executive decree No. 19,682 of February 9 last, I have the honor to report that the Foreign Office insists that by granting a reduction of 50 per cent on the cost of the manifests and consular invoices of goods embarked on vessels of the Lloyd Brasileiro Line, no discrimination is created in favor of the Brazilian flag, because vessels of other Brazilian steamship companies, which ply between Brazil and foreign ports do not enjoy this favor, which is granted to the Lloyd Brasileiro in replacement of a subsidy because the Government is the owner of over 90 per cent of its shares. Although Brazil signed the Convention and Statute on the International Regime of Maritime Ports of August 26, 1927, which was deposited with the League of Nations on September 15 of that year, the Brazilian Govern-

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[3] See despatch No. 3027, March 21, 1930, from the Chargé in Portugal, *Foreign Relations*, 1930, vol. III, p. 782.

[4] Telegrams No. 23, April 14, and No. 19, April 15, not printed.

ment has not ratified that Convention and is, therefore, not bound by Article 13.

A number of my colleagues, whose governments are interested in shipping, and who have discussed the question of Article 7 with the Foreign Minister as I have done, are of the opinion that while the present Provisional Government continues in office, no steps are likely to be taken to alter the 7th article and that if an official attempt should be made to secure alteration, the Government might be incited to action which would be seriously injurious to the welfare of foreign shipping companies, such as the levying of an income tax upon them, or, an adoption of the example of Portugal which has reduced the import duty on foreign goods imported into Portugal in Portuguese bottoms. The additional expense to exporters on vessels which are not included in the Lloyd Brasileiro fleet will be inconsiderable, partly because the service of the Lloyd is uncertain and irregular and also because shippers are disinclined to employ Lloyd vessels on account of the unsatisfactory manner in which goods are stored, handled and delivered. The Lloyd ships which ply to the United States take a considerable amount of coffee which is embarked as a matter of convenience and not as a matter of preference.

The British Ambassador and the Swedish, Dutch, Norwegian and German Ministers hold the views stated above, the Swedish Minister being seriously apprehensive lest an official attempt to obtain a modification of Article 7 during the life of the present Provisional Government will cause that Government to take impetuous action which would be more injurious to foreign shipping interests than the slight injury to which Article 7 of Decree No. 19,682 subjects them. . . .

Respectfully yours, EDWIN V. MORGAN

832.802 Lloyd Brasileiro Navigation Co./38

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

No. 1662 WASHINGTON, August 27, 1931.

SIR: Reference is made to your despatches No. 3604 of May 23, 1931, and No. 3591 of May 9, 1931, and to previous correspondence in regard to Article 7 of Brazilian Executive Decree No. 19682 of February 9, 1931, establishing a discount of fifty per cent on consular fees to shippers by the Lloyd Brasileiro Navigation Company.

It is noted that the Minister for Foreign Affairs has stated to you that the Article in question should be regarded not as a discrimination against foreign shipping companies, but as a form of subvention which the Brazilian Government grants to the Lloyd Brasileiro Steamship Line. After further consideration of this matter, the Department feels

that the privileges granted by the decree in question differ materially from a "subvention" or "bounty" to Brazilian vessels. The former benefit shippers directly by reducing the fees which they are required to pay in connection with the shipments on Brazilian vessels and were evidently designed to persuade them to send their shipments on such vessels rather than on vessels of the United States or other countries. A "subvention" or "bounty" would not have the effect of appealing so directly to shippers who would be benefited, if at all, only in an indirect way through the possible lowering of freight rates as a result of such "subvention" or "bounty".

While the Brazilian decree in question does not involve an express discrimination against vessels of the United States, it is believed that it may properly be regarded as coming within the scope of Section 26 of the Shipping Act of 1916. This statutory provision is quoted for convenient reference:

"Section 26. The board (United States Shipping Board) shall have power, and it shall be its duty whenever complaint shall be made to it, to investigate the action of any foreign Government with respect to the privileges afforded and burdens imposed upon vessels of the United States engaged in foreign trade whenever it shall appear that the laws, regulations, or practices of any foreign Government operate in such a manner that vessels of the United States are not accorded equal privileges in foreign trade with vessels of such foreign countries or vessels of other foreign countries, either in trade to or from the ports of such foreign country or in respect of the passage or transportation through such foreign country of passengers or goods intended for shipment or transportation in such vessels of the United States, either to or from ports of such foreign country or to or from ports of other foreign countries. It shall be the duty of the board to report the results of its investigation to the President with its recommendations and the President is hereby authorized and empowered to secure by diplomatic action equal privileges for vessels of the United States engaged in such foreign trade. And if by such diplomatic action the President shall be unable to secure such equal privileges then the President shall advise Congress as to the facts and his conclusions by special message, if deemed important in the public interest, in order that proper action may be taken thereon." (39 Stat. Part 1, page 737)

It will be noted that the language of the Section quoted above is not limited to cases of direct discrimination against vessels of the United States, nor is it limited to the rights and privileges of such vessels while in the ports of foreign countries.

Reference is made in your despatch No. 3604 of May 23, 1931, to the slight injury to which Article 7 of decree No. 19682 subjects foreign shipping agencies. The Shipping Board is of the opinion that shippers will undoubtedly be induced by the article to favor the vessels of the Lloyd Brasileiro Line, particularly in the matter of package freight where the saving on bills of lading and consular invoices will become an important item.

In view of the fact that the decree has been in effect for only a few months, the Shipping Board is not prepared to submit any tangible evidence of the effect of Article 7 on the business of American flag vessels. The following figures showing exports from the United States to Brazil for the periods November 1, 1930, to January 31, 1931, and February 1, 1931, to April 30, 1931, compiled by the Shipping Board may, however, be of some significance, inasmuch as they show a marked increase in shipments by the Lloyd Brasileiro Line after the promulgation of decree No. 19682 on February 9:

EXPORTS FROM THE UNITED STATES TO BRAZIL,

Excluding Commerce Carried in Tanker and Tramp Services
(In Cargo Tons of 2,240 Pounds)

	From November 1, 1930, to January 1, 1931	February 1, 1931, to April 1, 1931
American Lines (7)	34,928	35,842
Brazilian Line (Lloyd Brasileiro)	25,919	33,374
Other Lines (5 British, 2 Norwegian)	46,050	25,678
TOTAL	106,897	94,894

The informal representations which you are instructed to make concerning the possible modification of decree No. 19682 were the result of a request of the United States Shipping Board. The Department has now received a further request from that office asking that further and stronger representations be made to the Brazilian Government in regard to this matter. The Shipping Board states that if the Brazilian Foreign Office should still refuse to eliminate the discrimination complained of, it will be compelled to consider the advisability of proceeding further under the provisions of Section 26 of the Shipping Act of 1916.

While the Department attaches due importance to the opinions of your colleagues, as reported in the final paragraph of your despatch last referred to, and of course does not desire to provoke action by the authorities now in control in Brazil that would add to the difficulties of American shippers, it nevertheless considers that further representations on the subject might properly be made. After such further discussion of the situation with your colleagues as may seem desirable, you are instructed, unless you perceive compelling objection to that procedure, formally to request the Brazilian Government to grant to vessels of the United States engaged in trade between the two countries the same privileges as have been granted to vessels of the Lloyd Brasileiro Line with regard to cost of manifests and consular invoices of goods shipped on such vessels. In communicating

this request to the Brazilian Government, you may, in your discretion, orally make reference to the provisions of Section 26 of the Shipping Act of 1916, and to the statement of the Shipping Board with respect to it.

Very truly yours, W. R. CASTLE, JR.

832.802 Lloyd Brasileiro Navigation Co./44 : Telegram

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

WASHINGTON, December 10, 1931—1 p. m.

96. Please report briefly by telegraph in reply to the Department's instruction No. 1662 of August 27, 1931, relative to the discount on consular fees to shippers by the Lloyd Brasileiro Navigation Company.

STIMSON

832.802 Lloyd Brasileiro Navigation Co./46

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

No. 3748 RIO DE JANEIRO, December 11, 1931.

[Received December 21.]

SIR: In reply to the Department's telegraphic instruction No. 96, of December 10, 1 P. M., which referred to instruction No. 1662 of August 27, 1931, both of which related to Article 7 of the Brazilian Executive Decree No. 19,682 of February 9, 1931, establishing a discount of 50% on consular fees to shippers by the Lloyd Brasileiro Navigation Company, I have the honor to report that the opinion of the Ministry for Foreign Affairs that the said Article should be regarded not as a discrimination against foreign shipping companies but as a form of subvention which the Brazilian Government grants to the Lloyd Brasileiro Steamship Line has not altered, and that the Brazilian Government believes that it should be regarded as a "subvention" or "bounty" to Brazilian vessels. If the view is accepted that the Brazilian decree should properly be regarded as coming within the scope of Section 26 of the Shipping Act of 1916, it appears that the provisions of that statute should be applied.

The Embassy foresees, however, that the injury imposed upon foreign shipping companies by the terms of the said Article will not be severe in comparison with the retaliatory measures which the Brazilian Government is capable of taking, and that the favors which the vessels of the Lloyd Brasileiro Line obtain therefrom are not of great importance. The opinion of foreign governments, as expressed by their local representatives, that it is better to let the question lie in order to avoid these retaliations, is still maintained. However, if the Department

decides that the contention of the Shipping Board should be fully supported, I cannot but advise that the terms of Section 26 of the Shipping Act of 1916 should be enforced.

Respectfully yours, EDWIN V. MORGAN

832.802 Lloyd Brasileiro Navigation Co./50

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

No. 1707 WASHINGTON, February 10, 1932.

A copy of the air mail despatch addressed to the Secretary of State on December 11, 1931, by the Ambassador at Rio de Janeiro regarding a discount of fifty per cent on consular fees to shippers by the Lloyd Brasileiro Navigation Company, was forwarded for their information to the United States Shipping Board on January 20, 1932. There is enclosed for the information of the Embassy a copy of a reply dated February 4, 1932, from the Chairman of the Shipping Board,[6] in which the statement will be observed that, because of the comments in the Embassy's despatch regarding the possibility of retaliatory measures, the matter will be given further careful consideration by the Shipping Board and if it should be decided to proceed under the provisions of Section 26 of the Shipping Act of 1916, a further communication on the subject will be addressed to the Department.

[File copy not signed]

INABILITY OF THE UNITED STATES TO SELL WARSHIPS TO BRAZIL BECAUSE OF TREATY RESTRICTIONS

832.34/213 : Telegram

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

RIO DE JANEIRO, December 1, 1931—11 a. m.
[Received December 1—10:05 a. m.]

97. Brazilian Foreign Office has sent identical telegraphic instructions to Ambassadors in Washington and London to inquire from the American and British Governments whether one or the other is in a position to sell to the Brazilian Government two light fast cruisers which can be used for protecting national interests at home and for training seamen on board battleships *Minas Geraes* and *São Paulo* which it is the intention to scrap. Brazil is not in a position to enter into a regional disarmament agreement with Argentina and Chile unless she acquires cruisers in substitution of the ships on which their crews can continue training.

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[6] Not printed.

Shall be glad to learn the reply which the Department may eventually give the Brazilian Ambassador.

MORGAN

832.34/213 : Telegram

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

WASHINGTON, December 1, 1931—6 p. m.

92. Your 97, December 1, 11 a. m. The Department advised the Brazilian Ambassador that in view of the provisions of Article 18 of the Washington Naval Treaty [7] which provides that "each of the Contracting Powers undertakes not to dispose by gift, sale or any mode of transfer of any vessel of war in such a manner that such vessel may become a vessel of war in the Navy of any foreign power", this Government could not comply with Brazil's request to sell it two light fast cruisers. He was furthermore informed that Article 11 of the London Naval Treaty [8] provides that the rules for disposal contained in Annex 2 and Part 2 of the said Treaty shall be applied to all vessels of war to be disposed of. The provisions regarding the removal of armaments and mutilation of boilers, et cetera, set forth in section 5 of Annex 2 of the London Naval Treaty regarding vessels retained for training purposes was also called to his attention.

STIMSON

832.34/215

Memorandum by the Assistant Secretary of State (White)

[WASHINGTON,] December 1, 1931.

I telephoned the Brazilian Ambassador this morning and told him, with reference to his inquiry of the Secretary yesterday whether we would sell the Brazilian Government at once two ships of 8400 tons each, capable of making 32 knots, the payments to be made in twelve equal annual installments, that Article 18 of the Washington Naval Treaty provides that "each of the Contracting Powers undertakes not to dispose by gift, sale or any mode of transfer of any vessel of war in such a manner that such vessel may become a vessel of war in the Navy of any foreign Power". I told him that unfortunately that would make it impossible for us to make the sale which he requested. The Ambassador then said that he understood that the treaty inhibition applied to vessels of 10,000 tons, whereas his Government was asking for ships under 10,000 tons. I pointed out to

[7] *Foreign Relations*, 1922, vol. I, p. 247.
[8] *Ibid.*, 1930, vol. I, p. 107.

him that the Article in the Treaty I had just read mentioned "any vessel" and did not specify that they should be above or under 10,000 tons. I told him that in view of this it would not be possible for us to meet his Government's request. The Ambassador thanked me for the information I had given him.

The Ambassador came in in the afternoon, after the receipt of telegram No. 97 of December 1, 11 a. m., from the Embassy in Rio, and I pointed out to him that in addition to the above, Article 11 of the London Naval Treaty provides that the rules for disposal contained in Annex II and Part II of the said Treaty shall be applied to all vessels of war to be disposed of. I read him the provisions regarding the removal of armaments, mutilation of boilers, et cetera, set forth in Section 5 of Annex II of the Naval Treaty, regarding vessels retained for training purposes. I pointed out, furthermore, that while under these conditions, which would make the boat valueless from the point of view of Brazil, as the vessel could not then make more than 18 knots an hour and Brazil wants one capable of a speed of 32 knots an hour, this provision of the Treaty does not even under those circumstances permit the vessel to be disposed of but merely to be retained, so that even if rendered more or less useless in this way, we still could not sell the vessels to the Brazilian Government.

F[RANCIS] W[HITE]

BULGARIA

REPRESENTATIONS ON BEHALF OF STANDARD OIL INTERESTS IN BULGARIA WITH RESPECT TO GOVERNMENT ACTION FIXING THE PRICE OF KEROSENE

374.115 Standard Oil Company/1

The Minister in Bulgaria (Shoemaker) to the Secretary of State

No. 291 SOFIA, September 21, 1931.
[Received October 9.]

SIR: I have the honor to report that on September 11, 1931, Mr. Lewis R. Owen, district manager for the Standard Oil Company of New York, called at the Consulate to bring to its attention a recent decision of the Commission for the reduction of the cost of living in Bulgaria. This decision involved the lowering of price of kerosene to 7.38 leva per kilogram wholesale at Rousee, Bulgaria, the Danubian port of importation of the oil from Rumania into Bulgaria. Mr. Owen was greatly perturbed over this decision which if put into effect would work considerable loss to the Standard Oil interests. He further explained that a clause in this decision or at least an interpretation thereof rendered stocks of oil in Bulgaria subject to confiscation in case the dealers refused to sell at the price decreed by the Cost of Living Commission. Mr. Owen, on the basis of instructions from his company, informed the Consulate that the only course left for him was to close up and not to sell as the Standard Oil Company was not inclined to be forced into bankruptcy by the arbitrary ruling of this Commission. At the suggestion of the Consul, Mr. Owen visited the Legation to inquire its attitude in supporting him should he make a move not to sell. In as much as the decision had not yet been published officially it was thought advisable to take no immediate action in the matter but to await developments and in the meantime make a careful study of the situation. This was done and in several conversations with Mr. Owen I became convinced of the justice of his claim, as embodied in the memorandum submitted by him which is appended to this despatch.[1] Mr. Owen was particularly worried by the wording of the law of August 7, 1924, which is brought into effect by the decree of the Commission and which reads as follows:

[1] None of the enclosures mentioned in this despatch are printed.

"All producers and merchants failing to sell at standard prices will be punished in accordance with paragraphs 10, 11 and 12 of the law for relieving and reducing the high cost of living.

"Persons, societies or corporations hiding, accumulating or destroying merchandise of prime necessity in order to force the market price up will be condemned to one year's imprisonment and to the payment of a fine of from 10,000 to 500,000 levas.

"The accumulated merchandise of prime necessity will be confiscated at the lowest wholesale price of the market reduced by 25%, according to the decision of the Municipal Board and approved by the Chief Commissariat."]

On September 17, 1931, the Commission promulgated the decision above referred to in the *Official Gazette*. The same day in a telephone conversation with Mr. Owen I was informed that he had instructed all of his agents to refuse to sell at the price named by the Commission and that he had heard that measures were being taken to remove the oil from the warehouses of the Standard Oil Company but as yet had not been able to verify this rumor. At the same time he spoke of a visit he had had with representatives from all the large oil companies to Mr. Mooshanoff, the Acting Prime Minister, which had had unsatisfactory results. On the morning of September 18, Mr. Owen called at the Legation to say that reports were becoming more general that the oil of the Standard Oil Company was to be confiscated and that he had been advised by his company heads at home to stand on his legal rights and resist such action. In view of these developments it was thought advisable by the Legation to make informal representation to Mr. Mooshanoff. Accordingly on the afternoon of the same day I called on Mr. Mooshanoff accompanied by Mr. Frank W. Barnes, in charge of the Consulate, on account of whose early activities in the matter I thought made it important that he should be with me. While Mr. Mooshanoff as usual was very cordial and met me with assurances which in the course of the conversation proved vicarious, I was not at all satisfied with the result of the talk.

We presented our side of the case to Mr. Mooshanoff and pointed out to him the fact that the decree, at least superficially, seemed designed to discriminate against foreign and particularly American interests in Bulgaria. Mr. Mooshanoff hastened to assure me that nothing was further from the intention of his Government or the Commission, but that it was simply a "necessary method" in connection with lowering the cost of many staple necessities directly affecting the peasants of the country who were, as he said I must know from my travels in Bulgaria, in a deplorable state and made imperative, he declared with great earnestness, immediate steps in their behalf, especially if they were to be saved from being influenced by the oratory of radical groups. He then further stated that by lowering the prices of certain commodities, cotton and kerosene included, his Govern-

ment would solidify its position with the peasants who, as I was aware, constituted the bulk of the people. Although he did not put the matter in so many words, the only possible interpretation to make was that the decision more than anything else is a "publicity move" to popularize the existing Government with the peasants. That foreign capital should suffer, although Mr. Mooshanoff desired to give the impression that this was not actually the case, was regrettable but entirely in keeping with the world crisis. Any argument to be advanced in this connection seemed vitiated, however, by his previous remarks. Mr. Mooshanoff assured me that the memorandum prepared by Mr. Owen and which I left with him would receive his immediate and most careful attention. When questioned as to what might actually develop in the way of confiscation of property belonging to the Standard Oil Company he admitted that such measures while in accordance with the laws of Bulgaria would hardly be applicable to foreign concerns in peace times (as we had previously pointed out to him) and added that "Bulgaria not being at war we might rest assured that such would not come to pass". He again insisted that the measure was one prompted by necessity to relieve the peasants immediately and was not to be considered as permanent.

Meanwhile the American interests in Bulgaria will have to cease to function until the Government sees fit to enable them to do so without too great a loss. Mr. Owen has been informed that confiscation of Standard Oil property will not be contemplated and in the meantime his company will make no importations of oil into Bulgaria and will hold the stock on hand until matters adjust themselves.

A statement by Mr. Mooshanoff appeared in one of the morning papers in Sofia on September 19th and appended hereto would show that this Government has lost no time in announcing that it will abide by its intention to take all possible measures to reduce living costs in the country. It is apparent from the article that the interview with the American Minister is turned to the advantage of the Government. Annexed to this letter will be found an English translation of Mr. Owen's memorandum given by me to Mr. Mooshanoff, a statement prepared by Mr. Owen giving a history of the price reducing situation and an article from *Zora* of September 19, 1931.

Respectfully yours, HENRY W. SHOEMAKER

374.115 Standard Oil Company/2 : Telegram

The Secretary of State to the Minister in Bulgaria (Shoemaker)

WASHINGTON, October 24, 1931—1 p. m.

8. Your despatch No. 291, September 21, 1931. The Department assumes that you have satisfied yourself as to the accuracy of the

contentions of the Standard Oil Company. Upon that assumption it is desired that you seek an immediate interview with the Prime Minister and inform him of the concern felt by this Government over the recent administrative action of the Commission for the Reduction of the Cost of Living in arbitrarily fixing the wholesale price of kerosene at a figure which clearly appears to be less than the cost of importing kerosene into Bulgaria.

The effect of the order on the Standard Oil Company will be to force it to sell its products at less than cost and thereby subject its property to direct confiscation without due compensation and to possible imposition of penalties. This course would result in the violation of a generally recognized principle of law expressive of elementary justice and would also disregard the provisions of paragraph three of Order 69 under which the Commission purports to act and which clearly provides that all the elements of the cost of importing kerosene into Bulgaria "plus a certain profit" shall be considered in fixing the wholesale price. Since the price established by the Commission is substantially less than the total of all the legitimate items of cost prescribed by Order 69, it is evident that the Commission acted beyond the scope of its authority and that its decision should be corrected by an adjustment of the matter which will meet the wishes of the Government of Bulgaria and at the same time insure equitable treatment to the American company concerned.

As evidence of the arbitrary character of the Commission's action and the inadequacy of the investigation on which that action was based, it need only be observed that the Standard Oil Company was not asked for or given any opportunity to present the facts as to the cost of importing kerosene into Bulgaria and that the Company is in a position to prove that the price fixed by the Commission disregarded the provisions of paragraph three of Order 69.

You will accordingly state that this Government is confident that the Government of Bulgaria will without delay take the necessary steps to prevent the serious injury to the property rights and interests of American citizens in Bulgaria which results from the application of the Commission's order to the Standard Oil Company. You should leave an *aide-mémoire* of the foregoing with the Prime Minister at the time of your interview.

If you consider it advisable you may make a discreet oral suggestion that if the Bulgarian Government is seriously interested in reducing the cost of kerosene to consumers it would appear that such a result could be accomplished by lowering the present import duties, which amount to nearly 800 per cent ad valorem, rather than by seizing the property of an American company without due compensation.

STIMSON

374.115 Standard Oil Company/3 : Telegram

The Minister in Bulgaria (Shoemaker) to the Secretary of State

SOFIA, October 27, 1931—6 p. m.
[Received October 27—3:15 p. m.]

27. Contents of Department's telegram No. 8, October 24, 1 p. m., communicated this afternoon to the Prime Minister who was visibly moved by the force of the message and who assured me with every mark of sincerity that steps will be taken immediately to accord full satisfaction to the Standard Oil Company within the limits of order No. 69.

In cooperation with local director of the Standard Oil Company the Legation will continue to follow the matter closely in an effort to see that effect is given to this promise.

SHOEMAKER

374.115 Standard Oil Company/5 : Telegram

The Secretary of State to the Minister in Bulgaria (Shoemaker)

[Paraphrase]

WASHINGTON, November 27, 1931.

10. Reference Legation's despatch No. 310 of October 30, 1931.[2] The fact that kerosene is being sold in some places by the Standard Oil Company at a price lower than the one fixed by the Commission has caused the Department some surprise. This is not in accord with previous statements made by Owen to the effect that his only course was to close up, since the Standard Oil Company refused to sell its products at Government-fixed prices. The Department refers to its telegram No. 8, October 24, 1931, 1 p. m., and again reminds the Legation that only if satisfied as to the accuracy of the Standard Oil Company's contentions was the Legation to make the representations authorized therein.

In view of the company's original allegation that the price as fixed by the Commission was confiscatory, the Legation is requested not to make any further representations and to submit to the Department a full account of the principal facts which form the basis of Owen's allegation of damage, particularly a detailed explanation of the company's ability to sell kerosene at a price below that fixed by the Commission while yet complaining that the price fixed by the Commission is confiscatory.

STIMSON

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[2] Not printed.

374.115 Standard Oil Company/6 : Telegram

The Minister in Bulgaria (Shoemaker) to the Secretary of State

[Paraphrase]

SOFIA, November 30, 1931—6 p.m.
[Received November 30—4:05 p.m.]

33. Referring Department's telegram No. 10, November 27. Legation made representations only upon verifying costs from company, which was selling at Commission's price, or lower, for reasons of business competition. An examination of another company's books by an agent of the Commission within the last month revealed loss of 1½ leva per kilo.

As requested, Legation is mailing comprehensive statement of material factors to Department by pouch today [3] and will request Department's advice should further representations seem necessary.

SHOEMAKER

[3] Despatch No. 324 not printed.

CANADA

PROJECT FOR IMPROVEMENT OF THE ST. LAWRENCE WATERWAY BY JOINT ACTION OF THE UNITED STATES AND CANADA[1]

711.42157Sa29/789

The Minister in Canada (MacNider) to the Secretary of State

No. 537 OTTAWA, October 6, 1931.
[Received October 12.]

SIR: I have the honor to transmit herewith for the Department's information and files copy of a note received from the Prime Minister on September 12, 1931, as already explained by me in the course of informal oral conversations with various officers of the Department. This note summarizes, in a general way, the present situation as regards informal conversations looking to the development of the St. Lawrence waterway. As the Department is aware, the Prime Minister consented to write such a note only on the condition that its contents should be considered strictly confidential and that neither the text nor the substance of it should be given out or published without the consent of the Canadian Government.

Respectfully yours, HANFORD MACNIDER

[Enclosure]

The Canadian Secretary of State for External Affairs (Bennett) to the American Minister (MacNider)

No. 133 OTTAWA, September 12, 1931.

SIR: I have the honour to refer to your letter of September 2nd, 1930,[2] and my reply thereto, dated September 10th, 1930,[3] in the matter of the proposed St. Lawrence Waterway development.

This whole question in its broader aspects has for many months engaged the attention of the Government, and careful consideration has been given the various bases on which negotiations might be continued.

During the month of March, I was privileged to discuss in an informal way, with your President, certain points involved in the general

[1] Continued from *Foreign Relations*, 1930, vol. I, pp. 522–533.
[2] See instruction No. 1, August 26, 1930, to the Minister in Canada, *ibid.*, p. 532.
[3] *Ibid.*, p. 533.

proposal. Since then a detailed study of the project has been undertaken with a view to reaching a formula which would be acceptable to the two Governments.

I have been of the opinion that at least in the initial stages of the negotiations, progress could more definitely be assured by direct and verbal exchange of views between the two Governments than by any other medium, and I am gratified to learn that my opinion, as presented by the Canadian Minister, has received the concurrence of your Government.

The foregoing summarizes, in a general way, the situation of which I have endeavoured, in our many interviews, to keep you informed.

It is my belief that in the near future the Government will be in a position to discuss concrete proposals with your Government for the completion of the St. Lawrence Waterways project. Steps have already been taken to reconstitute the Canadian section of the Joint Board of Engineers.

Accept [etc.] R. B. BENNETT

711.42157Sa29/788

*Press Release Issued by the Department of State, October 7, 1931**

Negotiations between the Governments of the United States and Canada looking to the framing of a treaty for the development of the St. Lawrence seaway will be initiated at once. The Canadian Government has expressed the opinion that in the initial stages of the negotiations progress would more definitely be assured by direct and verbal exchange of views between the two Governments and President Hoover has agreed to this procedure.

711.42157Sa29/817

Press Release Issued by the Department of State, November 15, 1931

An exchange of views took place at Washington on November 14th between the Honourable W. D. Herridge, Canadian Minister to the United States, and the Honorable H. L. Stimson, United States Secretary of State, with respect to the Great Lakes–St. Lawrence Deep Waterway project. This conference marks the initiation of the discussions forecast in the announcement of the two Governments on October 8th last.

Following the conference at the State Department, it was announced that the discussions had been of a broad and general nature, confined to an exchange of views upon the more important phases of the prob-

*This identical statement is being given out simultaneously at Ottawa. [Note in the original.]

lem facing the two Governments. The discussion dealt with the international section of the waterway; the development of the purely Canadian national section of the St. Lawrence was regarded as a matter of domestic concern for Canada. Consideration, however, was given to the work done or projected by both countries in their respective national sections which would serve as essential links in the development of a waterway from the head of the Lakes to tidewater.

Arrangements were made for the immediate reconvening of the Joint Engineering Board with a view to ensuring agreement upon the general form of development to be undertaken in the international section of the St. Lawrence River, as to which some divergence of views existed in the 1926 Report of the Board.

An exchange of views took place as to the allocation of works and division of costs in the work to be done in the international section. It was stated by the representatives of both countries that they proposed to keep in touch with the respective provincial and state authorities in the consideration of the power features of the development.

REPRESENTATIONS BY CANADA AGAINST CHANGES IN BORDER CROSSING PRIVILEGES BETWEEN CANADA AND THE UNITED STATES[5]

150.01 Commuters/390

The Canadian Chargé (Wrong) to the Secretary of State

No. 256 WASHINGTON, December 26, 1930.

SIR: I have the honour to state that I have been instructed by the Secretary of State for External Affairs to inform you that representations have been made to His Majesty's Government in Canada concerning the serious effect upon Canadian communities along the Detroit River of the policies recently enforced by the immigration authorities of the United States against residents of Canada crossing to work in the United States.

His Majesty's Government in Canada, of course, fully recognizes the right of the Government of the United States to adopt and enforce whatever immigration policy is considered necessary in the interests of that country. At the same time, no doubt is felt that the Government of the United States will agree that it would not be consistent with the spirit and principles which have directed the relations between the two countries to disturb, unless in case of urgent necessity, conditions which have been maintained and accepted through a long period. At many points along the international border, and notably in the Windsor-Detroit area intimate business and social relationships have

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[5] Continued from *Foreign Relations*, 1927, vol. I, pp. 494–511.

developed, advantageous to both countries. These border communities are largely complementary to one another, not merely in an unusually free exchange of labour, but still more in the extent to which the commercial and social facilities on either side of the boundary have been available to residents on both sides. This close interrelation is the product of a long development during which mutual freedom of intercourse has been maintained. It is, of course, not possible to disturb one factor in the relationship without affecting other factors.

Before 1927, residents in the Canadian border communities who entered the United States daily for employment were admitted as visitors under the immigration laws. On April 1, 1927, the Department of Labor of the United States issued an Order, known as General Order No. 86,[6] which required that these persons were in the future to be considered as "aliens of the immigrant class". This order altered a practice long followed by both countries and still adhered to by the Government of Canada. It forced all Canadian residents who worked on the United States side of the boundary to qualify as immigrants to the United States. At that time in the Windsor area some 15,600 individuals were affected by the order.

The effects of this Order in suddenly restricting the old freedom of intercourse were mitigated through the good offices of Mr. Kellogg, who caused arrangements to be made to facilitate the process whereby those concerned could secure the status of immigrants to the United States. They were then able to continue to reside in Canada and to cross daily to their place of employment in the United States. The number of these so-called "border-crossers" or "commuters" has since then steadily declined. It is believed that by the end of 1927 the number had fallen to about 13,000, and that in 1928 and 1929 it was about 10,000. By January, 1930, the number was reduced to approximately 6,500; and on December 9th, 1930, the competent officer of the United States Bureau of Immigration at Detroit estimated the number then crossing the border daily to employment as 3,600.

Some years ago the number of "commuters" crossing from Canada to the United States was far larger than the number crossing from the United States to work in Canadian establishments. Now, largely as the result of the increasingly rigid enforcement of immigration regulations by the United States authorities, in volume and significance the entire daily movement from the United States to Canada approximately balances that from Canada to the United States. In spite, however, of unemployment difficulties comparable to those which have faced the United States, the Government of Canada have

[6] *Ibid.*, p. 494.

not departed in any way from the policy of permitting United States citizens to enter daily to work in Canadian establishments.

During the last few weeks particularly, notwithstanding the very large reduction in the number of "commuters", the United States immigration authorities have undertaken a rigorous examination of all persons entering daily from Canada; and they have rejected a large number of persons who had qualified under General Order No. 86, amounting altogether to several hundreds, by applying to them highly technical interpretations of the immigration laws. Until this situation arose, it was believed by the Government of Canada that the arrangements arrived at in 1927 would permit those who met the conditions set forth in General Order No. 86 to continue to live in Canada and work in the United States.

I have been instructed therefore, to request that the Government of the United States should give consideration to this matter, in the hope that a solution may be found which will continue in spirit and effect the arrangements reached in 1927.

I have [etc.] H. WRONG

150.01 Commuters/433

The Secretary of State to the Canadian Chargé (Wrong)

WASHINGTON, May 11, 1931.

SIR: Reference is made to the Legation's note No. 256, of December 26, 1930, and to the Department's reply of December 30, 1930,[7] in regard to the Canadian border commuter situation.

Upon receipt of the Legation's note the question of the present status of Canadian commuters in the light of the understanding reached in 1927, was immediately taken up with the appropriate branch of the Government.

The Department has been advised that the following instructions prepared with a view to according "to commuters who have been admitted to the United States as immigrants the same consideration that would be accorded to them if they were actually residents in the United States and departed to Canada or any other foreign country" have been issued for the guidance of immigration officials on the border and officers charged with the consideration of cases in which an appeal might be taken.

"1. Aliens of the immigrant commuter class who were lawfully admitted, but have abandoned the status gained thereby, and who seek to reenter, shall be regarded as new immigrants.

[7] Latter not printed.

"2. Aliens of the immigrant commuter class who have been out of employment in the United States for six months shall be presumed to have abandoned their status notwithstanding temporary entries in the interim for other than employment purposes.

"3. Aliens of the immigrant commuter class who go to a country other than those specifically mentioned in Executive Order No. 5426, approved August 20, 1930, without obtaining a reentry permit, shall be required to present a nonquota immigration visa when they seek to resume their immigrant commuter status. In other words, aliens residing in Canada and granted the immigrant commuter privilege must comply with the same requirements that aliens residing in the United States would be compelled to comply with should they go abroad.

"4. Aliens of the immigrant commuter class shall not be refused entry merely because subsequent to their admission and in advance of the present check-up they have changed their employment in the United States, unless it is developed that there was an abandonment of the status gained at the time of admission.

"5. Where it is developed that aliens secured their immigrant border crossing cards under the provisions of General Order 86 through misrepresentations or frauds, or by reason of facts not being disclosed or developed at the time of such adjustment which, had they been disclosed or developed, would have operated against such adjustment, shall be refused the commuting privilege until they have complied with the requirements pertaining to new immigrants."

With a view to obviating any misunderstanding the Department requested certain additional information regarding the status of commuters. The following information has been received in reply to the Department's inquiry.

"Canadian border commuters who have been denied admission to the United States by boards of special inquiry, or on appeal to the Secretary of Labor, may apply through the usual channels for permission to reapply for admission within one year from the date of their rejection and if such permission is granted, they are at liberty to make application for admission at a port of entry, whether or not they are in possession of appropriate immigration visas. In other words, the fact that an alien does not possess an immigration visa would not prevent him from applying for admission, although lack of such a visa is frequently a cause of rejection, especially in land border cases.

"Commuters whose border crossing cards have been lifted, but whose cases were not considered by a board of special inquiry, may apply for a return of their cards, and if denied they may, without previous consent, appear before a board of special inquiry and, if excluded, appeal their cases to the Secretary.

"The question of whether a commuter has abandoned that status does depend upon the circumstances in each individual case, and in such cases the alien's intention frequently plays an important part."

It may be added that the immigration officials on the border are understood to have been authorized to accord the privilege of apply-

ing for temporary entry as non-immigrants at any time to persons who may have been found to have abandoned commuter status.

Accept [etc.] HENRY L. STIMSON

IMMUNITY OF CONSULAR OFFICERS AND EMPLOYEES FROM TESTIFYING AS TO OFFICIAL ACTS AND PRODUCING OFFICIAL RECORDS

811.114 I'm Alone/2185 : Telegram

The Acting Secretary of State to the Consul General at Montreal (Frost)

WASHINGTON, May 18, 1931—6 p. m.

Referring your inquiry by telephone concerning subpoenas served on you and on Doris Corrigan requiring testimony concerning official acts and production official documents at habeas corpus hearing of Marvin J. Clark.

Advise appropriate authorities that under principles of international law official archives of consular offices are not subject to subpoena requiring production in judicial proceedings and that consular officers and their employees cannot properly be required to testify concerning their official acts. Add that accordingly you have been instructed by your Government not to appear nor to permit Miss Corrigan to appear or produce records in response to the subpoena.

CASTLE

811.114 I'm Alone/2184 : Telegram

The Acting Secretary of State to the Minister in Canada (MacNider)

WASHINGTON, May 18, 1931—6 p. m.

48. Consul General Frost has advised Department that he and Doris Corrigan, an American citizen and visa clerk in Consulate General have been subpoenaed to appear in court at Montreal on May 19th to produce official documents in their custody and testify in habeas corpus proceedings involving Marvin J. Clark.

Bring matter to attention Department of External Affairs pointing out that under principles of international law official archives of consular offices are not subject to subpoena requiring production in judicial proceedings and that consular officers and their employees cannot properly be required to testify concerning their official acts. State that Consul General Frost has accordingly been instructed not to testify nor to permit Miss Corrigan to testify or produce documents.

CASTLE

811.114 I'm Alone/2212

The Minister in Canada (MacNider) to the Secretary of State

No. 361 OTTAWA, May 22, 1931.
[Received May 25.]

SIR: I have the honor to refer to the Department's telegraphic instruction No. 48 of May 18, 6 p. m., informing the Legation that Consul General Frost at Montreal and Miss Doris Corrigan, visa clerk in the Consulate General, were subpoenaed to appear in court on May 19 to produce official documents in their custody and to testify in habeas corpus proceedings in the case of Marvin J. Clark, and directing the Legation to bring the matter to the attention of the Canadian Department of External Affairs, pointing out that under the principles of international law, official archives of consular offices are not subject to subpoena requiring their production in judicial proceedings and that consular officers and their employees cannot properly be required to testify concerning their official acts.

Upon the receipt of the above-mentioned telegraphic instruction, I immediately addressed a note to the Secretary of State for External Affairs in the above sense and copy of the latter's reply is enclosed herewith. The Department will observe that the Department of External Affairs did not actually admit the justice of my representations in so many words, but merely pointed out that according to press reports neither the Consul General nor Miss Corrigan was required to produce documents from the official archives of the Consulate General or to testify concerning their official acts.

Respectfully yours, HANFORD MACNIDER

[Enclosure]

The Canadian Secretary of State for External Affairs (Bennett) to the American Minister (MacNider)

No. 72 OTTAWA, May 20, 1931.

SIR: I have the honour to refer to your note, No. 223, dated the 19th May, 1931, relating to the service upon Mr. Wesley Frost, Consul General of the United States at Montreal, and Miss Doris Corrigan, a citizen of the United States and visa clerk in the Consulate General, of a process by which they were ordered to appear in Court at Montreal, on the 19th May, and to produce official documents in their custody and to testify in habeas corpus proceedings in the case of Marvin J. Clark.

I observe that the Consul General at Montreal has been instructed not to testify or to produce official documents in Court and not to permit Miss Corrigan to do so, upon the grounds that the official archives

of consular officers are not subject to subpoena requiring their production in judicial proceedings, and that Consular officers and their employees cannot properly be required to testify concerning their official acts.

I observe from the press reports of the proceedings that took place in Montreal on the 19th instant, that this position was taken by counsel for the Consul General, and that neither the Consul General nor Miss Corrigan was required to produce documents from the Official Archives, or to testify concerning their official acts.

Accept [etc.] O. D. SKELTON
For Secretary of State for External Affairs

CHILE

REVOLUTION IN CHILE

825.00/644 : Telegram

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

SANTIAGO, May 5, 1931—midnight.
[Received May 6—4:20 a. m.]

42. Feeling against the Government has become more noticeable during the last few days following upon the recent salary cuts and increased taxes which, together with some defection in the Army and Navy, is being capitalized by the old Conservative Party. In view thereof the President today issued a proclamation in the form of orders to the provincial governors referring to the public unrest and warning that he would not hesitate to use the armed forces of the country to maintain order. This threat of force, added to recent deportations and the arrest this morning of several members of the family of ex-President Alessandri and their sympathizers, has created much indignation. There have been no disorders but tension exists and the city is patrolled by large numbers of armed soldiers and police. These measures indicate the Government's apprehension. Absolute censorship has been placed on all outgoing news but foreign correspondents have been given a statement by the Minister of Finance and requested to transmit it as a personal interview with the President. The statement is intended only for foreign consumption and attempts to convey the idea that the situation is normal.

NORWEB

825.00/661 : Telegram

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

SANTIAGO, July 11, 1931—noon.
[Received 2:40 p. m.]

64. In view of the Government's serious financial difficulties and in order to draft the services of the country's most prominent men to meet the situation, the President yesterday requested the Cabinet to resign, with the exception of the Ministers of War and Navy. He has

asked Francisco Garcesgana, President of the Central Bank, to form a new cabinet but the latter is having difficulties in getting the men he wants.

NORWEB

825.00/662 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, July 13, 1931—8 p. m.
[Received 8:52 p. m.]

67. Embassy's telegram 64, July 11, noon. Garcesgana unsuccessful in forming cabinet. Nonpolitical Coalition Ministry reduced to seven members announced this evening with Pedro Blanquier as Premier and Minister of Finance. As Director General of State Railways he showed great administrative ability and the strength of the present cabinet lies exclusively in him.

CULBERTSON

825.00/665 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, July 21, 1931—6 p. m.
[Received 8:18 p. m.]

70. Blanquier Cabinet, differing with the President over its program of greater political freedom and retrenchment, has resigned and resignation has been accepted. Rumors suggest men for new cabinet who are closer to President personally but who will command less confidence from public. Fear is expressed that break-down of Blanquier program will be followed by political trouble from which may come new leader, and by further economic difficulties including depreciation of currency.

CULBERTSON

825.00/666 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, July 22, 1931—1 p. m.
[Received 4:03 p. m.]

71. New cabinet formed by Francisco Garcesgana, President of Central Bank. Names of other ministers telegraphed by press. Biographic data will be found in the Department for most of them.

I have just had a talk with Garcesgana. He stated that the maintenance of the stability of the currency is fundamental in his program. He also favors the recognition of constitutional liberties but emphasized that they must be exercised within the limits of law and order. He stated also that he will carry out program of economies initiated by Blanquier but added that a situation could not be changed in 5 days which it had taken 5 years to form.

Contrary to the fears expressed last night men of unsound tendencies about Ibañez have not influenced him to the extent of permitting them to form a cabinet, and the new cabinet may be regarded as still representative of the better influences and standards in Chile. It will have to meet the same problems which led to the fall of the Blanquier Cabinet but it is believed that it will be able to meet them in a more tactful manner and in closer cooperation with the President.

In spite, however, of the more favorable aspects of the situation this morning conditions are still critical and further difficulties may be expected.

CULBERTSON

825.00/667 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, July 23, 1931—8 p. m.
[Received 10 : 35 p. m.]

72. Garcesgana Cabinet has resigned. Demonstrations largely by students have continued throughout the day and tonight the streets are filled with milling crowds which are dispersed from time to time by police on foot and horseback. Attack is expected on 2000 students now in possession of University of Chile. I was appealed to by students but declined to take any action and so informed the Foreign Office. It would appear that the old cabinet was unwilling to adopt repressive measures deemed necessary by Ibañez to maintain order. Cable companies received written instructions not to accept any press messages on the situation. Rand reports from Antofagasta that attempted mass meeting called this afternoon by local labor unions to express adherence to the students' labor movement Santiago suppressed by authorities without disorders.

CULBERTSON

825.00/668 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, July 24, 1931—10 a. m.
[Received 11:30 a. m.]

73. Law and Order Cabinet headed by former Minister of the Interior Frodden has taken charge of the situation. Disturbances continued throughout the night but this morning city is quiet.

CULBERTSON

825.00/669 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO [undated].
[Received July 24, 1931—5:45 p. m.]

74. My telegram No. 73, July 24, 10 a. m. Serious clashes between police and students resulting in bloodshed and situation is grave.

CULBERTSON

825.00 Revolutions/4 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, July 25, 1931—noon.
[Received 3:40 p. m.]

76. Army is now assisting in policing city. General Blanche has been made Commander in Chief and we are practically under martial law. Serious clashes are feared about midday when crowds return from funeral of doctor killed yesterday. Public feeling against Ibañez bitter. Doctors, lawyers, and engineers have gone on a strike and have adopted resolutions asking him to resign and further strikes are likely. Business is at a standstill.

Repeated to Lima.

CULBERTSON

825.00 Revolutions/5 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, July 25, 1931—8 p. m.
[Received 10:20 p. m.]

77. I talked this afternoon with Frodden, Chief of the Cabinet. He said emphatically that the armed forces are supporting the Presi-

dent, that the government has the situation in hand not only in Santiago but in north and south, and that the President has no intention to resign. He spoke with confidence and resolve. I submit this statement merely as the view of the government. As we spoke we could look through the windows of the Moneda upon machine guns which command the streets and upon heavily armed troops.

CULBERTSON

825.00 Revolutions/6 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, July 26, 1931—noon.
[Received 2:55 p. m.]

78. General Blanche, Frodden, and others of the armed forces oppose the resignation of the President. However opinion is general that he cannot remain. Such is the opinion of the President of the Senate who is a relation of the President's wife. About 4 o'clock this morning I was told that the President had just informed the director of *La Nacion*, the Government newspaper, and other friends that he would resign possibly today or tomorrow. He is said to be broken and disillusioned. Upon the receipt of this news the staff of *La Nacion* abandoned the building with their personal belongings and went into hiding. One requested permission to come to the Embassy and I refused. Bankers are meeting this morning at Central Bank to consider financial situation, especially serious condition of National Savings Bank. President stated this morning to representative of National City Bank that he would close all banks beginning tomorrow to prevent further run on banks.

CULBERTSON

825.00 Revolutions/7 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, July 26, 1931—2 p. m.
[Received 4:09 p. m.]

79. President resigned and is still in Moneda. Already he has requested asylum for his son-in-law and family and I have replied that I cannot admit them to the Embassy unless they are threatened with physical violence and then only temporarily. Civilian junta is forming. Tension has been removed and there is public rejoicing throughout the city.

CULBERTSON

825.00 Revolutions/8 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, July 26, 1931—4 p. m.
[Received 6:50 p. m.]

80. Junta consists of President of Senate and Montero and Blanche of last week's Cabinet. The one uncertain element is still army, which continues loyal to Ibañez, who now announces that he has temporarily withdrawn from office. Crowds have gathered in the main avenue and in front of the Embassy but there are no disorders. No Americans nor American interests have been molested.

CULBERTSON

825.00 Revolutions/9 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, July 26, 1931—9 p. m.
[Received 11:50 p. m.]

81. Organization of new government conforms with article No. 66 of the Chilean Constitution. President of Senate as Vice and Acting President of Chile is forming a cabinet with Montero as chief. Technically Ibañez has asked for permission to leave the country instead of resigning in order to avoid the constitutional obligation to call elections with [*within?*] 60 days.

National Savings Bank in failing condition and other banks including Central Bank threatened with serious runs. Closing of banks for four days has been authorized. During this time new government hopes to remedy situation by inviting from their foreign correspondents a loan to Central Bank of about 21 million dollars and to give as collateral the nitrate bonds of next year. If such a solution proves impossible the issue of paper money will receive serious consideration.

CULBERTSON

825.00 Revolutions/10 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, July 27, 1931—noon.
[Received 1:35 p. m.]

82. I have just conferred with Under Secretary for Foreign Affairs. In his opinion, since the transfer of authority has followed the Constitution, the question of recognition is not raised.

CULBERTSON

825.001 Montero, Juan/1 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, July 27, 1931—5 p. m.
[Received 7:20 p. m.]

83. President of Senate resigned today as Vice President and, following the Constitution, turned over the power to Montero, Minister of the Interior, who became Vice and Acting President. Retirement of President of Senate appeases the crowds, resentful at escape of Ibañez, and at the same time strengthens the situation. It is possible now that Blanquier who has held aloof will join the Cabinet. Ibañez is now in Argentina.

CULBERTSON

825.01/47 : Telegram

The Acting Secretary of State to the Ambassador in Chile (Culbertson)

WASHINGTON, July 27, 1931—6 p. m.

31. Your 82, July 27, noon. Department concurs in the view that no recognition of new Chilean Government is necessary.

CASTLE

825.01/48 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, July 28, 1931—11 a. m.
[Received 1:35 p. m.]

84. Referring to the Department's telegram No. 31, July 27, 6 p. m., although wording of article 66 of Constitution does not provide specifically for transfer of power from one vice president to another, transfer of power referred to in my No. 83, July 27, 5 p. m., was declared to be by virtue of that article and in view of general object of article and the fact that procedure is deemed constitutional here I believe we may and should continue to consider that no question of recognition is raised. Retirement of President of Senate leaves new Government, at least for the present, more acceptable to the people, especially since Blanquier has now agreed to join the Cabinet as Minister of Finance.

Referring to the first paragraph of my telegram No. 81, July 26, 9 p. m., Congress yesterday refused request of Ibañez for permission to leave the country and declared the office of President vacant because

of unauthorized departure of the President. Hence, under the Constitution, elections must be held within 60 days.

CULBERTSON

825.00/673a : Telegram

The Acting Secretary of State to the Ambassador in Chile (Culbertson)

WASHINGTON, August 1, 1931—noon.

32. Your 84, July 28, 11 a. m. When will elections be called as provided in Article 66 of the Constitution?

WHITE

825.00/675 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, August 6, 1931—10 a. m.
[Received 11:02 a. m.]

87. Department's telegram No. 32, August 1, noon. Presidential elections have been called for October 4th.

CULBERTSON

825.001 Montero, Juan/2 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, August 18, 1931—6 p. m.
[Received 7 p. m.]

95. Montero accepted yesterday the presidential nomination made by all political parties except those of the extreme Left. In order not to establish the precedent of chief executive being a candidate for the presidency he indicated immediately his intention to tender his resignation as Vice President but has deferred action and at present it seems that there will be some delay in determining who will succeed him as Vice President. In the meantime Montero will hold over.

CULBERTSON

825.001 Montero, Juan/3 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, August 21, 1931—4 p. m.
[Received 4:54 p. m.]

96. My telegram number 95, August 18, 6 p. m. The Senate has refused to accept resignation of Montero. Nevertheless as a candidate

for the presidency he has insisted upon turning over the power temporarily to the Minister of the Interior, Manuel Trucco, who becomes Vice President until after the elections.

CULBERTSON

825.00 Revolutions/13 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, September 2, 1931—10 a. m.
[Received 11:30 a. m.]

100. Enlisted men and petty officers of the whole Chilean Navy now at Coquimbo mutinied yesterday morning, locked officers in their rooms, and took command of all ships including the *Almirante Latorre*. They gave the Government 48 hours to meet demands which include improvement in their conditions and in addition demands of a communistic nature such as special loans to the Government by the rich and the subdivision of large rural properties. The immediate cause of the revolt was the Government program for the reduction of wages in order to meet the budget situation. Apparently movement has no organized political backing, since prominent political leaders of all parties joined with the Cabinet last night in repudiation of movement and in determination to adopt energetic measures to suppress meeting [*mutiny?*].

This unprecedented revolt in the Navy is serious in itself and may encourage other groups to resort to violence against Government measures. All responsible citizens in Chile are today awake to the threat made upon social stability.

CULBERTSON

825.00 Revolutions/15 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, September 3, 1931—5 p. m.
[Received 7:49 p. m.]

102. Representatives of principal American companies in Chile met with me this afternoon at my request. Streetcar strike remains unsettled. Electric company has agreed to comply with some of demands of its employees but its problem remains complicated by communistic agitators. Other American business interests including telephone, nitrate, and copper companies have not been molested and are continuing operations subject to the limitations imposed by general conditions. I believe this meeting was helpful in easing tension and allaying fears among Americans.

The Government, believing that the origin of the difficulty was the program to reduce salaries, has announced officially that it will pay to civil employees and to the armed forces their full salaries now due. However it is not clear from what source the money for this purpose is to come unless it is from the issue of paper money.

Information has just been received from Coquimbo to the effect that Government's representative has been able to arrive at a settlement with the men of the fleet and that the terms of the settlement have been submitted to the Government at Santiago. It is expected that the terms will be approved and that the mutiny will be at an end.

The situation continues uncertain and serious but if trouble with the fleet is settled it may be the first step toward the restoration of the country's morale and to the breaking up of subversive movements.

Attachés request that my telegrams of today be referred to their respective departments.

CULBERTSON

825.00 Revolutions/20 : Telegram

The Acting Secretary of State to the Ambassador in Chile (Culbertson)

[Paraphrase]

WASHINGTON, September 4, 1931—4 p. m.

40. Mr. Gordon Rentschler of the National City Bank of New York telephoned me today. He said that all was quiet for the time being in Chile because the Government had given up on every point, that the Navy had been turned over to the petty officers and crews, and that the savings bank had been taken over by the clerks and the officers dismissed. If this is true, the situation, in my opinion, would seem to be potentially of the utmost seriousness. The Chilean upper classes are earnest and intelligent, but unless they take hold promptly, it would seem that real disaster might follow.

Keep Department fully informed.

CASTLE

825.00 Revolutions/20 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, September 5, 1931—8 a. m.
[Received 9:25 a. m.]

105. I have just talked at the Moneda with General Vergara, Minister of War, who has been made Commander in Chief of all armed

forces. He said that the Government is determined to suppress the mutiny and that bombing planes and troops are now moving on Talcahuano, Valparaiso, Quintero, and Coquimbo. He expects to attack rebels today. Steps have been taken to protect oil supply of Standard Oil Company at San Antonio. I have requested consular agents at Talcahuano, Chañaral, Coquimbo, and Tocopilla to inform me promptly of any developments affecting Americans or American property. Santiago is quiet.

CULBERTSON

825.00 Revolutions/23 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, September 5, 1931—noon.
[Received 1:20 p. m.]

106. Sharp fighting in Talcahuano but Government is now in complete control there. Rebels have surrendered in Valparaiso and Government is concentrating its efforts on Coquimbo. Prohibition placed on transmission of news by cable and telegram. Chief communistic leaders in Santiago have been arrested, city quiet but streetcar strike continues. Situation in Iquique threatening but up to the present no disorders in nitrate fields and copper mines. Large supplies of American-owned fuel oil at Chañaral, Antofagasta, and Tocopilla will probably be principal objective of the fleet. The Government promises to make every effort to give protection but admits difficulty.

CULBERTSON

825.00 Revolutions/25 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, September 5, 1931—6 p. m.
[Received 9:19 p. m.]

107. I conferred today with Luis Izquierdo, Minister of Foreign Affairs. Among other things I spoke of the Americans and American interests in Chile and observed that it is an obligation of the Chilean Government to protect them. He accepted this statement with approval. I then referred to current rumors that our Government is about to despatch warships to Chilean waters and added that not even mention had been made of such action in our cables. Thereupon he remarked that perhaps it might be well to consider such action as a possibility and he asked how long it would take a cruiser to come

from the Canal to Chile. He said that the rebels in control of the sea and inspired by agitators who advocate an independent communistic republic on the pampas are a menace to the interests in the northern ports. In reply I made it clear that I saw no reason now to suggest to my Government any measure of protection and that, if conditions made outside help necessary in the North some future day, I would expect to base my recommendations on a request signed by the Chilean Government and by the leaders of the principal Chilean parties. The Minister said that if occasion arose we could confer further.

As things are now going no situation exists which makes necessary even first steps toward protection by our ships.

CULBERTSON

825.00 Revolutions/26 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, September 5, 1931—7 p. m.
[Received 9 : 05 p. m.]

108. In conformity with section 17 of article 72 of the Constitution Congress today at noon declared a state of siege throughout the Republic for a period of one month. The proclamation of the law will probably be made tonight. This action by Congress is tantamount to the creation of a constitutional civil dictatorship. However, actually the Army is the effective force in control.

Except for the presence of soldiers in the city the situation in Santiago is normal. Streetcar service resumed this afternoon but definite settlement not reached.

Unless Government ultimatum for unconditional surrender of the fleet at Coquimbo is complied with, attack on ships will be made tonight or tomorrow morning.

CULBERTSON

825.00 Revolutions/30 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, September 6, 1931—noon.
[Received 2 : 45 p. m.]

109. I conferred this morning at his request with General Vergara. He said that Chile felt no shame over what had happened in its Navy since he believed that it was a result of an international movement

against social order. He spoke frankly saying that Chile at the present time has not a Navy. He stated that the submarine boats from the South had not joined the ships at Coquimbo and although at the present time he does not know their exact whereabouts he hopes that they will return under his control today. He believes that the ships at Coquimbo are no longer counting on submarine boats. These ships are now moving north and the airships have instructions to follow and maintain contact. The situation in northern ports under control of the Government and instructions have been sent to deny ships supplies and food. The General, who has just returned from Europe where he had an opportunity to observe communistic activities, spoke of imminent danger of social war and describing Chile's problem as continental rather than local, stated that he desired support from the United States, especially because of its moral effect, in the following respects:

1. He wishes us to furnish immediately war materials especially bombs and tear gas materials. I called the attention of the General to time required to get material here. Nevertheless, he desires our cooperation in an effort to deliver this war material to Chile from the Canal as soon as possible.

2. The General wishes to announce tomorrow that the Chilean Government is negotiating with the American Government for the purchase and for immediate delivery of two or more submarine boats in order to reorganize the Navy. In the opinion of the General this step is at present primarily valuable because of its moral effect and he said that purchase would probably never be consummated.

The General emphasized that intervention was not being requested in any form but that since a government of the best elements in Chile is now in control it desires the moral support of the United States and our effective cooperation.

I told the General that I would submit the matter informally to my Government and if a favorable reply were received I would expect the request from his Government to be put in writing by the Minister for Foreign Affairs. He has an understanding with Foreign Minister on this point. I should appreciate a reply today.

CULBERTSON

825.00 Revolutions/27 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, September 6, 1931—5 p. m.
[Received 7:20 p. m.]

110. The fleet has returned to Coquimbo after capturing a Chilean commercial vessel carrying some supplies. All coastwise traffic has

been suspended and Valparaiso is filled with troops. Our consular office reports no damage to American commercial interests as a result of the fighting in Talcahuano. The Government has called for volunteers and certain reserve officers have been ordered to report for duty.

Repeated to Lima.

CULBERTSON

825.00/690 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, September 6, 1931—6 p. m.
[Received 7:19 p. m.]

111. Alessandri nominated for the presidency today with almost unanimity by a convention of all the Left parties except the extreme Communists who support Hidalgo. His acceptance would be just another complication.

CULBERTSON

825.00 Revolutions/33 : Telegram

The Acting Secretary of State to the Ambassador in Chile (Culbertson)

WASHINGTON, September 6, 1931—10 p. m.

42. Embassy's 109, September 6, 12 noon. The sale or transfer of submarines owned by this Government is forbidden by Article 18 of the treaty on the limitation of Naval Armament signed at Washington February 6, 1922.[1] As respects the delivery of war material, this Government is disposed to find means of cooperation, but the Department is handicapped in regard to adequate information as to the supplies available at Panama by the week-end holiday, including Labor Day, and the necessity for thorough consideration. It suggests that no public intimation be given of an approach to us until we are able to reply fully, probably tomorrow. As respects tear gas, our information is that there are no supplies of this commodity in Governmental possession at Panama or elsewhere short of commercial producers in this country. The delivery of munitions of war will in any case be slow and difficult, as shipment of them by commercial aircraft appears to be forbidden by Article 15 of the Convention on Commercial Aviation signed at Habana February 20, 1928,[2] and shipment by sea is slow and obviously complicated by the Chilean Naval situation.

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[1] *Foreign Relations*, 1922, vol. I, p. 247.
[2] *Ibid.*, 1928, vol. I, p. 585.

You may express the appreciation of this Government of the desires of the Chilean Government to maintain order and stable institutions and to protect American interests in Chile, and also our Government's keen appreciation of the difficulties with which Chile is confronted.

Please telegraph immediately specific war material desired by the Chilean Government. Point out the possibility of purchasing more adequate supplies from commercial manufacturers here.

ROGERS

825.00 Revolutions/28 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, September 7, 1931—2 a. m.
[Received 3 a. m.]

112. General Vergara informed me personally at midnight that the aerial bombardment this afternoon completely demoralized the crews, who released their officers, who thereupon attempted intercession for the men. The Government replied that it would accept only an unconditional surrender and in case of further resistance it would proceed even more drastically. The General added significantly that he would not treat with any of the officers on board. He asserted with confidence that he believes that the resistance of the insurgent crews is almost at an end.

CULBERTSON

825.00 Revolutions/29 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, September 7, 1931—noon.
[Received 1:05 p. m.]

113. I conveyed personally this morning to the Minister for Foreign Affairs and Minister of War the contents of your telegram No. 42, September 6, 10 p. m. They expressed the profound gratitude of their government for your prompt and sympathetic action. In reply to the last paragraph they stated that during the last 24 hours the situation has changed fundamentally in favor of the Government, that all but three units of the Navy are now in their hands, and that, although the large battleship is one of these units and is now moving south, they are confident that the Government will be able to dominate soon the situation with the means that it has at hand. Hence they believe it unnecessary at this time to continue further with the request for war materials but will do so if occasion arises.

CULBERTSON

825.00 Revolutions/22 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, September 7, 1931—4 p. m.
[Received 6 p. m.]

114. Navy Department states that it is in radio communication with the battleship *Latorre* and that it and the two remaining mutinous ships have agreed to surrender. Details of surrender not yet known.

Repeated Lima.

CULBERTSON

825.00 Revolutions/31 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, September 7, 1931—5 p. m.
[Received 6:15 p. m.]

115. The Minister for Foreign Affairs and the Minister of War told me this morning that it is the intention of the Government to make a thorough investigation of the communistic activities which they believe resulted in the mutiny. They are arresting about four leaders. They wish to investigate not only the activities of these men in Chile but also their contacts and sources of money abroad. Believing that the problem is continental as well as local and believing that for that reason we may be willing to cooperate, they have asked me to convey to you their request for technical assistance in carrying through this investigation. They desire the service of a specialist in communistic propaganda and activities in order to assist in ferreting out the ramifications and origins of the movement in Chile.

Chilean Ambassador in Washington has been advised of desire of Government to have a specialist and I assume negotiations will be with him if employment of specialist outside Government is contemplated. If you should feel that we might profit by releasing for the investigation one of our government officials we should have a clear understanding that his work is to be strictly nonpolitical in character.

It is asserted now that the origin of the mutiny was communistic but from time to time there have been unverified rumors that it had a political character . . .

Will the Department please instruct me as to what reply to make to the Chilean request?

CULBERTSON

825.00 Revolutions/34 : Telegram

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

WASHINGTON, September 12, 1931—noon.

43. Embassy's 115, September 7, 5 p. m. You should orally inform the Chilean authorities that there is no Federal agency especially charged with responsibility for investigating and studying communist activities in the United States, that this Government regrets that there is not available in the Government service a specialist whose services it could offer, and that it is not in a position to suggest the name of a specialist in private life to undertake the work in question.

As you may know, the Department is interested in ascertaining the full facts with respect to the basis for statements frequently made that alleged communist activities in Latin American countries are directed and controlled from Moscow. You may therefore state to the Chilean authorities that you would be pleased to receive from them for transmission to the Department any information they may be willing to make available to you with respect to the direction or control from beyond the borders of Chile of the activities of persons participating in recent events there and that if the names of the four persons mentioned in your telegram or other persons implicated are communicated to you, you will endeavor to ascertain from your Government what information, if any, it is in a position to supply concerning them.

For your information the Chilean Ambassador in Washington has not yet approached the Department in this matter. Should he do so, the Department will reply as indicated above and furnish him a copy of the report of the "Special Committee to Investigate Communistic Activities in the United States, 71st Congress, 3rd Session" of which the Honorable Hamilton Fish was Chairman.

STIMSON

825.00/698 : Telegram

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

SANTIAGO, October 5, 1931—10 a. m.
[Received 10: 55 a. m.]

125. Elections were orderly. Decisive majority in favor of Montero assures political quiet for the time being. Alessandri announces that he accepts verdict. Under the Constitution Montero will assume the Presidency on November 24th but he may immediately resume executive power which he turned over temporarily as reported in my

telegram 96, August 21, 4 p. m. In that case the Cabinet will be reorganized.

Repeated to Lima and Buenos Aires.

CULBERTSON

825.001 Montero, Juan/6 : Telegram

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

SANTIAGO, October 6, 1931—11 a. m.
[Received 11:15 a. m.]

126. My telegram No. 125, October 5, 10 a. m. President-elect Montero will resume executive power November 15th but definite date of his inauguration as President not yet fixed.

CULBERTSON

825.001 Montero, Juan/7

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

No. 1013 SANTIAGO, November 5, 1931.
[Received November 14.]

SIR: In the event that the Department desires to transmit a message of congratulation for President-elect Montero, I have the honor to report that the inauguration will take place on December 5th.

Respectfully yours, R. HENRY NORWEB

825.001 Montero, Juan/8 : Telegram

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

SANTIAGO, November 16, 1931—10 a. m.
[Received November 16—10 a. m.]

139. Montero reassumed Vice Presidency yesterday. Balmaceda, Minister of Foreign Affairs; Izquierdo, Minister of Hacienda.

CULBERTSON

825.001 Montero, Juan/9 : Telegram

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

WASHINGTON, November 27, 1931—5 p. m.

56. Reference Embassy's despatch No. 1013, November 5, 1931. At the time of the inauguration of President Montero, you may extend to

him the cordial congratulations of the President and the assurances of his best wishes for the success of Señor Montero's administration.

STIMSON

PROVISIONAL COMMERCIAL AGREEMENT BETWEEN THE UNITED STATES AND CHILE EFFECTED BY EXCHANGE OF NOTES, SIGNED SEPTEMBER 28, 1931

611.2531/20a : Telegram

The Acting Secretary of State to the Ambassador in Chile (Culbertson)

WASHINGTON, July 18, 1931—2 p. m.

30. The instructions discussed with you during your visit regarding commercial treaty negotiations with Chile are still under consideration in the Department.[3] In the meantime the *Modus Vivendi* signed with France [4] is disturbing us. The Department has learned with surprise that at this time when it is obviously to Chile's advantage to cooperate with American commercial and financial interests that Chile should discriminate against them. This arrangement distinctly discriminates against American commerce.

As the most expeditious way of meeting the immediate situation you are advised to propose to the Chilean Government at once that an American–Chilean *Modus Vivendi* securing complete most favored nation treatment for American commerce be arranged. This, we understand, would require only an exchange of notes. A suitable model, we believe, is the *modus vivendi* concluded by you with Roumania in 1926.[5]

You are familiar with the fact that the chief Chilean exports are on the American free list.

If necessary within your discretion you may call attention to Section 338 of the American Tariff Act.[6]

CASTLE

[3] A draft treaty for a proposed treaty of friendship, commerce and consular rights was transmitted to the Ambassador in Chile in Department's instruction No. 788, November 2, 1927 (*Foreign Relations*, 1927, vol. I, p. 524). This draft was subsequently amended by Department's instructions No. 869, August 7, 1928, and No. 872, August 21, 1928 (neither printed), and became the basis of conversations with the Chilean Government in 1928 and 1929. An outstanding subject of disagreement arose out of Chile's desire to make exception, in the matter of most-favored-nation treatment, of the other countries of South America, and although this exception was narrowed down to Argentina, Bolivia, and Peru, the Department hesitated to accept it. By telegram No. 92, August 7, 1929, 2 p. m. (not printed), the Ambassador was informed that pending enactment of tariff legislation then under consideration the Department did not desire that he approach Chilean authorities with a view to renewing negotiations. The Ambassador had recently suggested that the negotiations be renewed.

[4] Exchange of notes between Chile and France, May 22, 1931, League of Nations Treaty Series, vol. CXXIV, p. 33.

[5] *Foreign Relations*, 1926, vol. II, p. 898.

[6] 46 Stat. 704.

711.252/54 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, July 24, 1931—5 p. m.
[Received 6:55 p. m.]

75. Referring to Department's telegram No. 30, July 18, 2 p. m., Inter-Departmental Committee on Commercial Treaties has recommended unanimously that the United States be granted unconditional most-favored-nation treatment on all matters covered by effective provisions of French *modus vivendi*. Action approved by Ministry for Foreign Affairs but final decree by Minister of Finance delayed by changes in government and by denunciation by Chile of the Treaty of 1862 with Germany [7] which contains general most-favored-nation guarantee.

Difference with Germany resulted from imposition by Germany of prohibitive tax on nitrate. Much resentment exists here in official quarters against Germany and reprisals are under consideration. Since this subject came up in connection with the discussions of our commercial interests, I expressed informally the earnest hope that trade war might be avoided.

CULBERTSON

711.252/55 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, August 12, 1931—4 p. m.
[Received 5:39 p. m.]

93. Chilean Government is seriously considering the establishment of a system of licensing imports and this possibility should be considered in connection with my negotiations for exchange of notes suggested in Department's telegram No. 30, July 18, 2 p. m. What is the Department's attitude toward such a practice? Is it sufficient to ask treatment as favorable with respect to commodities, valuations, and quantities as may be accorded to the commerce of any other country? Should we adopt a special policy with reference to products which are imported almost exclusively from the United States?

CULBERTSON

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[7] Treaty of friendship, commerce, and navigation between Prussia, in the name of the German Zollverein, and Chile, signed at Santiago, February 1, 1862, *British and Foreign State Papers*, vol. LXX, p. 849.

611.2531/23 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, August 25, 1931—3 p. m.
[Received 9 : 10 p. m.]

97. Referring to Department's telegram No. 30, July 18, 2 p. m., Chilean Government is willing to give to the commerce of the United States the same treatment as French commerce receives under the *modus vivendi* of May 22nd, but it wishes in the exchange of notes, or in supplemental notes, to have an assurance that we are willing to discuss immediately with them a general commercial treaty incorporating the unconditional most-favored-nation guarantee together with special lists. The proposed paragraph to be included in the exchange of notes would read as follows:

"I have the honor to confirm to Your Excellency the terms of the provisional commercial agreement which our respective governments have agreed to maintain while they are studying a definite general commercial treaty. It is understood that meanwhile our governments will study the terms of a general commercial treaty which among other things will, both by virtue of specific provisions in the treaty and by virtue of the general unconditional most-favored-nation principle, reciprocally consolidate and improve the situation on the one hand in which Chilean commerce finds itself in the markets of the United States and on the other hand in which American commerce finds itself in the markets of Chile".

The Foreign Office now declare that in view of the paramount importance of our commercial relations the Chilean Government desires to negotiate its first new commercial treaty with the United States rather than with France and that, abandoning its earlier position and recognizing our settled policy, it is now willing to include in said treaty a general guarantee of the unconditional most-favored-nation principle. In particular it desires to include in such a treaty a provision which will maintain the present situation in the United States with reference to nitrates and in return it is willing to discuss the stabilization of tariff rates on a special list of American products.

The Foreign Office explains that the proposal of the basis for a definite treaty has been joined with the question of the immediate removal of a discrimination against American commerce because they are inextricably connected, in that before Chile can proceed to extend the treatment granted to France to countries with which Chile has no treaty obligations, some advanced commitment of treaty policy must be obtained. Furthermore, as this new treaty will determine Chile's whole commercial policy it is essential for them to know as soon as possible on what basis we are prepared to negotiate; for if the

United States is unable to agree to a treaty on the bases suggested, Chile must then consider seriously the denunciation of the French *modus vivendi* and the abandonment of its present commercial policy of special lists. This statement is based on realization by Chile of the importance of the American market for its products and of the need for agreement in the commercial policies of the two countries. Failure to reach an agreement would place the blame on us and leave not only a general bad impression but would also injure American interests in the Chilean nitrate industry.

Instruction from the Department is requested as to whether it is willing to exchange notes committing itself to a study of the Chilean proposal. If so we will obtain immediately the rates of duty granted to France and our influence will take first place in the new commercial negotiations which Chile is contemplating with all countries.

CULBERTSON

611.2531/24 : Telegram

The Ambassador in Chile (Culbertson) to the Acting Secretary of State

SANTIAGO, September 1, 1931—6 p. m.
[Received 7:45 p. m.]

99. Referring to my telegram No. 97, August 25, 3 p. m. The Minister for Foreign Affairs has submitted to me the draft of two notes. The translation of the first reads as follows:

"I have the honor to confirm to Your Excellency the terms of the provisional commercial agreement which our respective governments have agreed to establish meanwhile a definite commercial treaty is being studied.

The United States of America will grant to the commerce of Chile the same advantages which it grants to any other state, except the special treatment which the United States accords to its territories and possessions, to Cuba, and to the Panama Canal Zone, both with respect to customs duties and to other governmental taxes, and the Republic of Chile will grant to the commerce of the United States the same treatment that it applies to that of France by virtue of the *modus vivendi* concluded with that country on May 22nd last, under the same conditions and meanwhile the said *modus vivendi* remains in force.

The present agreement shall be considered operative from May 22nd of the present year and shall continue in force until 15 days after either of the parties has communicated to the other notice of its termination, unless by mutual agreement it is terminated sooner.

The agreement to which the present communication refers shall be completed by the reply of Your Excellency expressing the conformity

of your government with the terms proposed, and by the ratification of it that shall be made by the Government of Chile".

The proposal is that I reply to this note in like terms and upon this exchange of notes the Chilean Government will remove as of May 22nd the discriminations against American commerce created by the French *modus vivendi.*

The translation of the second note reads as follows:

"With regard to the purpose of our two governments to conclude as soon as possible a definite commercial agreement referred to in the notes we have exchanged on this same date, I believe it desirable to set forth in this communication that, as I have had the opportunity of informing Your Excellency verbally, this ministry proposes that our two governments undertake immediately the study of the terms of the said treaty which among other things will, both by virtue of (etc.)" as quoted in my telegram 97, August 25, 3 p. m.

The Minister desires a reply to this second note in like terms but pending our decision he is willing to accept from me an acknowledgment that I have submitted to the Department his proposal of a basis for a general commercial treaty. Since the Chilean Government considers that it has made a generous concession in its agreement to incorporate the general most-favored-nation principle in the treaty a favorable reply is expected and I think it a much wiser procedure for us to complete our reply to the second note at the same time that we reply to the first, or even better to consolidate the two notes as originally proposed.

I have endeavored in my conferences with the Chilean Government to separate the removal of the French discriminations from commitments on fundamental treaty policy but as explained in my number 97, August 23 [*25*], 5 [*3*] p. m., the Chilean Government insists that they are two aspects of the same problem. I hope that the Department will not think that I am pressing it for a general decision on commercial policy but I feel that if we are unable to study with the Chilean Government a general treaty on the basis suggested I should tell them so now and thus avoid the raising of false hopes.

CULBERTSON

611.2531/24 : Telegram

The Acting Secretary of State to the Ambassador in Chile (Culbertson)

WASHINGTON, September 2, 1931—6 p. m.

39. We refer to your 97, August 25 and 99, September 1. The Department has given earnest and extended discussion to the suggestion

made earlier this year, and now repeated in these telegrams, that in the proposed negotiation of a commercial treaty with Chile our unconditional most-favored-nation principle should be supplemented by an agreement to maintain, or in some other form stabilize, our tariff upon Chilean export products, especially nitrates, for a period of years in return for stabilized or lowered Chilean duties on items of American trade.

We observe now that the Chilean Government desires to join discussion of a commercial treaty embodying this idea with the *modus vivendi* we have been seeking to obtain in order that the discriminations against American goods now imposed by Chile should be removed. The Department is not prepared to enter even at the instance of Chile, into a new departure in the field of commercial policy. It involves a major shift in American tariff practice which the Department is unwilling to adopt without the most mature consideration and which requires Congressional approval and cooperation. The sense of the Department furthermore, is that in face of a world situation changing as rapidly and significantly as at the present it can formulate no new commercial policy.

The Department still desires you to secure a *modus vivendi* by exchange of notes in accordance with which American goods would receive the same lowered tariff rates as have been granted to French goods. It sees no objection to including in the exchange of notes a statement of American willingness to enter immediately into negotiations with Chile for a commercial treaty consistent with our traditional unconditional most-favored-nation policy. We trust that by proper explanation to the Chilean Government of the considerations we have set forth above that Government will at once be willing to enter into the *modus vivendi*. By the very nature of its export products it has a certain degree of assurance that the American Government is not likely to raise new tariff barriers against them.

If the Chilean Government, as you indicate, decides to reverse its commercial policy and abrogate such unconditional most-favored-nation treaties as it has, the United States will continue to expect as favorable treatment as is given to any other country.

The Department approves, therefore, the acceptance of the first note in your telegram number 99 assuming that the only implication of duty on the part of our Government is to proceed actively and in good faith to the negotiation of a treaty consistent with the views expressed above. If the second note, as it seems to the Department, contains any implication or understanding that we can or will by some bargaining agreement guarantee the stabilization or maintenance even of present tariffs, this note should not be accepted.

CASTLE

711.252/58 : Telegram

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

SANTIAGO, September 25, 1931—6 p. m.
[Received 9 : 15 p. m.]

119. Minister for Foreign Affairs today handed me draft of note which he proposes as his reply to note from me of like tenor. Translation follows:

[Here follows the text of the note, which, except for minor changes in wording, is the same as the Foreign Minister's note of September 28, printed on page 927.]

Unless I receive instructions to the contrary I will exchange notes in these terms with the Minister for Foreign Affairs at 4 p. m., Monday 28th.

The Department will notice that this note secures for the commerce of the United States not only the French rates effective from May 22nd but also a general guarantee of most-favored-nation treatment. Furthermore without committing our Government in advance to any special provisions it leaves the door open for early negotiations of a general commercial treaty.

CULBERTSON

711.252/63a : Telegram

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

WASHINGTON, September 28, 1931—noon.

45. Your 119, September 25, 6 p. m. Approved, although the Department would prefer 30 days notice of termination instead of 15. Accept the latter if unable to obtain the 30 days, which is the usual period in agreements of this kind.

STIMSON

711.252/64 : Telegram

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

SANTIAGO, September 28, 1931—5 p. m.
[Received 5 : 50 p. m.]

121. Department's telegram No. 45, September 28, noon. *Modus vivendi* signed this afternoon. The Foreign Office insisted upon 15 days' cancellation clause since agreement with France contains this provision.

CULBERTSON

611.2531/32

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

No. 976 SANTIAGO, September 30, 1931.
[Received October 10.]

SIR: Referring to my telegram No. 119, September 25, 6 p. m., I have the honor to transmit copies of the notes exchanged on September 28 with the Chilean Government on commercial policy (Enclosures Nos. 1 and 2).[8]

. . . . . .

After the elections I hope that conditions will be such with the new Government that negotiations for a definite commercial treaty may soon be resumed and I would appreciate appropriate instructions.

Respectfully yours, W. S. CULBERTSON

Executive Agreement Series No. 26
611.2531/32

The American Ambassador in Chile (Culbertson) to the Chilean Minister for Foreign Affairs (Izquierdo)

No. 693 SANTIAGO, September 28, 1931.

EXCELLENCY: I have the honor to confirm to Your Excellency the terms of the provisional commercial agreement which our respective Governments have agreed to establish while a definite treaty is being studied. They are:

(1) The United States of America will extend to the commerce of Chile the same advantages which it gives to any other States, except the special treatment which the United States accords to its territories and possessions, to Cuba and to the Panama Canal Zone. These advantages will include the customs duties and other fiscal imposts as well as import licenses and measures of customs restrictions.

(2) The Republic of Chile will concede to the commerce of the United States the treatment which it applies to the most-favored-nation and will give it, from May 22nd last, the reduced tariffs which are applied to merchandise produced in France by virtue of the *modus vivendi* signed on that date.

(3) This provisional arrangement will last while the above-mentioned *modus vivendi* remains in force, without prejudice to either of the Parties terminating it by expressing its desire to do so fifteen days in advance.

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[8] *Infra.*

In reply I have the honor to advise Your Excellency that the Government of the United States of America accepts the foregoing conditions and will be disposed to enter into negotiations for the purpose of concluding a new commercial treaty to replace the former one.[9]

I avail myself [etc.] W. S. CULBERTSON

The Chilean Minister for Foreign Affairs (Izquierdo) to the American Minister in Chile (Culbertson)

[Translation]

SANTIAGO, September 28, 1931.

MR. AMBASSADOR: I have received the note, dated to-day, in which Your Excellency, in accordance with the instruction of your Government, confirms the terms of the provisional commercial agreement which it wishes to conclude with the Government of the Republic, while a final treaty is being studied. They are:

1. The United States of America will extend to the commerce of Chile the same advantages which it gives to any other state, except the special treatment which the United States accords to its territories and possessions, to Cuba and to the Panama Canal Zone. These advantages will include the customs duties and other fiscal imposts as well as import licenses and customs restriction measures.

2. The Republic of Chile will concede to the commerce of the United States the treatment which it applies to the most-favored nation and will give it, from May 22 last, the reduced tariffs which are applied to merchandise produced in France by virtue of the *modus vivendi* signed on that date.

3. The provisional arrangement referred to will last while the above-mentioned *modus vivendi* remains in force, without prejudice to either of the parties terminating it by expressing its desire to do so 15 days in advance.

In reply, I have the honor to advise Your Excellency that the Government of Chile accepts the foregoing conditions and will be disposed to enter into negotiations with the object of concluding a new treaty of commerce, to replace the former one, as soon as the domestic situation of the country permits.

I avail myself [etc.] L. IZQUIERDO

[9] The convention of peace, amity, commerce, and navigation between Chile and the United States, signed May 16, 1832, was terminated January 20, 1850, on notice given by Chile. For text, see Malloy, *Treaties*, 1776–1909, vol. I, p. 171.

REPRESENTATIONS AGAINST HOLDING OF AN AMERICAN CITIZEN INCOMMUNICADO FOLLOWING ARREST

325.1121 Bethune, Larry K./1 : Telegram

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

SANTIAGO, March 18, 1931—4 p. m.
[Received 4:33 p. m.]

21. Manager of General Motors arrested last night and held incommunicado. During the night I requested permission to see him and was refused. This morning I stated to the Minister for Foreign Affairs the position of the Department set forth in instruction No. 604, October 21, 1925.[10] The Minister claimed to know nothing of the merits of this affair but asserted that the principle of incommunicado is part of the criminal procedure in Chile, that it applies to foreigners as well as nationals, and that accused cannot communicate even with his diplomatic representative during that time. Defense lawyer states that it is very unusual to hold a man incommunicado in cases like this. I would appreciate from the Department by telegraph a confirmation of its position.

The controversy between the General Motors and their agent has resulted in four different proceedings and is developing disagreeable aspects.

CULBERTSON

325.1121 Bethune, Larry K./2 : Telegram

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

WASHINGTON, March 19, 1931—1 p. m.

10. Your 21, March 18, 4 p. m. The Department reiterates the position expressed in its instruction No. 604 of October 21, 1925.[11] You should urgently renew your efforts with the appropriate authorities to be permitted to communicate with Bethune and also request a like permission for his counsel. What are the charges against him?

STIMSON

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[10] Not printed; the pertinent part of instruction No. 604, October 21, 1925, reads: "You are informed that the Department holds that American citizens arrested in foreign countries shall not be held incommunicado, but should be allowed to communicate with diplomatic or consular representatives of this country, and with the attorneys whom they wish to employ in their defense. The Department expects you to inform the Chilean authorities to this effect when occasion arises." (325.1121 Stein, Charles/2)

[11] See footnote 10.

325.1121 Bethune, Larry K./3 : Telegram

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

SANTIAGO, March 19, 1931—4 p. m.
[Received 7:53 p. m.]

22. Referring to the Department's No. 10, March 19, 1 p. m. Bethune was released today on bond but nevertheless I have presented our views on incommunicado in a note to the Foreign Office.[12]

Charges against him are for fraud. Criminal proceedings were instituted by former Chilean agent of General Motors to help them in pending civil suits. Strong indications that proceedings are in the nature of malicious prosecution and I therefore have submitted to the Government informally evidence which indicates this misuse of criminal proceedings in the courts. . . .

CULBERTSON

325.1121 Bethune, Larry K./12

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

No. 809 SANTIAGO, March 19, 1931.
[Received March 27.]

SIR: I have the honor to confirm my telegram No. 22, of today's date, 4 p. m., reporting the release on bond of Mr. L. K. Bethune, Manager in Chile of the General Motors Acceptance Corporation. It is not likely that he will be again detained. This concludes the first chapter of an affair so unusual in many respects that it may become a "cause célèbre" in the treatment of foreigners under Chilean Civil and Criminal Law.

Some weeks ago the General Motors Acceptance Corporation dissatisfied with one of its local distributors transferred this representation to another firm. Immediately there were charges and countercharges culminating in three lawsuits, one of which resulted in the Chilean agent's bankruptcy. In retaliation the said agents, through their lawyers, instituted criminal proceedings for fraud against Mr. Bethune, personally, and not against the General Motors Acceptance Corporation. Last Tuesday an order was issued for his appearance in court to answer these charges but the summons was never served. Instead he was arrested late that night and held "incommunicado". His lawyers at once appealed to me for assistance and I sent Mr. Norweb and Mr. Sparks[13] to the Section of Investigations where Mr. Bethune

[12] Note No. 586, p. 932.

[13] R. Henry Norweb, Counselor of Embassy, and Edward J. Sparks, Third Secretary of Embassy.

was held, with the request that I be granted permission to see and speak with him. This request was denied and later the same morning the same request was again refused. Thereupon I went to the Minister of Foreign Affairs and protested against the status of "incommunicado" and asked that I be allowed to speak to Mr. Bethune and to assure myself of his welfare. At the same time I requested him to make an investigation. The Foreign Minister promised to do so but maintained no exception could be made on the subject of "incommunicado" even for a diplomatic representative.

All that day Mr. Bethune was on the witness stand answering through a translator the questions which were put to him by the judge. Aside from this no one knew exactly what was happening. This questioning continued until after midnight and was resumed again this morning.

In the meantime having heard nothing from the Foreign Minister I again visited him and placed before him informally evidence indicating the misuse in this case of the criminal proceedings of the courts. This is set forth in the enclosed memorandum [14] which I made for the Embassy records. Shortly after I returned from this interview Mr. Bethune was released on a 30,000 Pesos bond. He immediately called at the Embassy and his statement confirmed my suspicions that the fraud charges were a subterfuge and that the criminal proceedings in this instance were to all appearances instituted solely for the purpose of adducing evidence which could be used against the General Motors Acceptance Corporation in the civil cases now pending and that the judicial machinery of the Chilean Courts had been subverted to this end through the influence of the opposing lawyer Mr. Osvaldo Koch, the President's son-in-law. Among other things Mr. Bethune stated that throughout the proceedings telephone conversations took place between the judge and Osvaldo Koch, (or some representative of Koch); that these conversations were in the court room and in his presence; that in most cases they were calls by Koch to the judge but in some cases the judge called Koch. Mr. Bethune does not understand Spanish very well but the judge on a number of occasions used the question "que dice el señor Koch?", which would indicate that he was talking with someone in immediate communication with Koch.

Throughout it all Mr. Bethune had to work without the advantages of counsel or being able to refer to documents, whereas the other side through the compliance of the judge was virtually able to cross examine him at their pleasure.

I immediately took steps to bring all of these facts together and to call them to the attention of the Minister of Foreign Affairs. In addi-

[14] See enclosure 1, *infra*.

tion therefore to stating our non-acceptance of the practice of "incomunicado", I felt justified at the same time to request formally that the Government make an inquiry into the circumstances of Mr. Bethune's arrest. (See enclosures Nos. 3 and 4).[15]

I have pressed this matter vigorously not only because I feel there has been a distinct denial of justice and that the measures adopted were unnecessarily harsh and arbitrary but especially because a definite stand was necessary in order to discourage similar tactics in the future. If our action does nothing more than this it will have been fully worthwhile. The case has attracted wide public attention and the outcome is being watched by many in case it should give an opportunity to delay or wriggle out of their commercial debts. It is already difficult enough for American business in Chile to collect what is owed without the additional complications and the expense of litigation.

I shall make a further report to the Department on the subject as soon as there is anything further to report from the Foreign Office.

A statement prepared for public distribution of the position of the General Motors Acceptance Corporation in the pending suits is enclosed.[16]

. . . . . .

Respectfully yours, W. S. CULBERTSON

[Enclosure 1]

Memorandum by the American Ambassador (Culbertson) of a Conversation With the Chilean Minister for Foreign Affairs (Barros), March 19, 1931

Communicated to Sr. Barros orally. W. S. C.

I desire to bring to your attention the criminal proceedings now pending against Mr. L. K. Bethune, Manager in Santiago of the General Motors Acceptance Corporation.

Before the criminal proceedings were instituted the issues between the General Motors Corporation and their former local agents were joined in two or three other suits pending in the Chilean courts. The adjudication of these cases will be sufficient to establish justice between the parties. No justifiable reason has thus far appeared why a criminal proceeding should also have been commenced against the Manager of General Motors and why it, being a State proceeding, should be prosecuted vigorously by the lawyer in the civil case.

[15] See enclosures 2 and 3, *infra*.
[16] Not printed.

It is admitted, in fact, that Mr. Bethune is not personally guilty of any criminal action.

I consider the criminal proceedings against Mr. Bethune to be a malicious prosecution instigated by the lawyer in the civil suit for the former agents of the General Motors Corporation. This conclusion is supported by the unusual treatment which has been accorded to Mr. Bethune. He is a responsible individual and a representative of a responsible corporation. Even assuming that criminal proceedings were justified it would have been more in keeping with the circumstances if Mr. Bethune had been advised by your court to appear at a certain time and, if necessary, to request him to give bond for further appearance before your courts. Instead, he was arrested by a group of rough *carabineros* and imprisoned *incomunicado*. The following day he was forced to testify morning, noon and night, before a judge without the assistance of counsel. His testimony still continues. It appears from the 800 questions submitted that criminal procedure is being used to support the civil action of private individuals.

Mr. Bethune speaks no Spanish and it therefore was necessary for him to give his testimony through an interpreter unknown to him.

I have been led to the conclusion, after careful consideration of this case, that it constitutes a misuse of judicial procedure in Chile, that is, the use of criminal prosecution for the purpose of influencing a decision in the civil courts.

W. S. C[ULBERTSON]

[Enclosure 2]

The American Ambassador (Culbertson) to the Chilean Minister for Foreign Affairs (Barros)

No. 586 SANTIAGO, March 19, 1931.

EXCELLENCY: I have the honor to inform Your Excellency that Mr. L. K. Bethune, Manager in Santiago of the General Motors Acceptance Corporation, was arrested night before last and was held *incomunicado* in the Prefectura de Investigaciones. Very early yesterday morning this matter was brought to my attention and I instructed the Counselor and one of the Secretaries of this Embassy to call at the Prefectura de Investigaciones and to request in my name permission to see Mr. Bethune. The officer in charge refused, stating that he had orders from the court to hold Mr. Bethune *incomunicado*.

I am instructed to-day by my Government to advise Your Excellency that we do not admit that American citizens arrested in foreign countries may be held *incomunicado*. It is expected that they shall be allowed to communicate with diplomatic and consular representatives of their country and with the attorneys whom they wish to employ in

their defense. Specifically, I am instructed to request permission for myself to communicate with Mr. Bethune and also to request like permission for his counsel.

Mr. Bethune was released on bond to-day at one o'clock and for this reason the particular request relating to him, which I have made on the instructions of my Government, need not be pressed unless he is again detained. However, apart from the particular case of Mr. Bethune I wish by this note to repeat and emphasize the general position of my Government with reference to the principle of *incomunicado*.

I avail myself [etc.] W. S. CULBERTSON

[Enclosure 3]

The American Ambassador (Culbertson) to the Chilean Minister for Foreign Affairs (Barros)

No. 587 SANTIAGO, March 19, 1931.

EXCELLENCY: Confirming my oral request of yesterday, I have the honor to request an investigation of the criminal proceedings which were instituted on or about March 17th in your courts against Mr. L. K. Bethune, Manager of the General Motors Acceptance Corporation.

I avail myself [etc.] W. S. CULBERTSON

325.1121 Bethune, Larry K./7 : Telegram

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

SANTIAGO, March 22, 1931—4 p. m.
[Received 9 p. m.]

23. Reference my telegram No. 22, March 19, 4 p. m. *Nacion*, Government-owned, quoted editorial from *Prensa*, Buenos Aires, and gives substance of editorial from *Comercio*, Lima, criticizing diplomatic intervention in case of General Motors.

Bethune was not only released but Court of Appeals on a petition in the nature of habeas corpus released his bond. Chilean company has appealed from this decision to Supreme Court. By this action court has recognized justice of Embassy's protest against illegal arrest. Responsible lawyers state that no possible ground existed under Chilean law for the detention of Bethune.

Court has decided to appoint a reviewing judge who will take criminal case out of the hands of the Judge of First Instance. Thus the higher court has repudiated the action of the lower judge to which I made objection.

. . . . . .

CULBERTSON

325.1121 Bethune, Larry K./13 : Telegram

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

WASHINGTON, March 27, 1931—6 p. m.

15. Your 24, March 26, 6 p. m.[17] Your despatch 809 of March 19, not yet received. Department's instruction 604 of October 21, 1925,[18] and Department's cable No. 10 of March 19, 1 p. m. did not take the position which Spanish text of your note No. 586 of March 19, to the Foreign Office [19] and given to the Department by the Chilean Embassy, implies, namely, that American citizens in Chile are not subject to Chilean laws in so far as incommunicado is concerned. In order to close this phase of the incident the Department desires you to address a note to the Minister for Foreign Affairs supplementing your No. 586 as follows:

"In order to remove any misunderstanding on the part of Your Excellency regarding the purport of my note No. 586 of March 19, I desire to say that of course it was not its intention to infer even by implication that American citizens in Chile are not subject to Chilean laws. The system of incommunicado is not recognized in American jurisprudence where the right of habeas corpus is considered as the foundation of American political liberties. Therefore when an American citizen is held incommunicado in a foreign country it is the fixed policy of the Government of the United States to request in each case that his diplomatic and/or consular representatives and his lawyer be permitted to see him in order that proper steps may be taken to safeguard his interests and prepare for his defense. It was this that I desired to set forth in my note of the 19th instant and I trust that this explanation will remove any misconception which your Government may have had in the premises." [20]

Make no comment or statement to the press even informally regarding this matter. Chilean Government alleges Lima and Buenos Aires press reports are due to information given United and Associated Press correspondents by the Embassy.

STIMSON

325.1121 Bethune, Larry K./15 : Telegram

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

WASHINGTON, March 28, 1931—noon.

16. The General Motors Export Company had advised the Department of the receipt of information indicating that a number of the

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[17] Not printed.
[18] See footnote 10, p. 928.
[19] *Ante*, p. 932.
[20] Transmitted to the Minister for Foreign Affairs in note No. 591, March 28 (not printed). (325.1121 Bethune, Larry K./39)

General Motors' representatives in Chile have received threats of personal violence, and that in view of the actual assault on Mr. V. M. Kaminsky, who had likewise been so threatened, it is desired that the Embassy undertake to have adequate protection extended to them.

If in your opinion such action is necessary you may informally and in a most friendly manner bring the apprehensions of this important American company regarding the safety of its personnel to the attention of the appropriate authorities.

STIMSON

325.1121 Bethune, Larry K./16: Telegram

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

SANTIAGO, March 30, 1931—11 a. m.
[Received 11:45 a. m.]

28. Department's telegram 16, March 28, noon. Protection for Kaminsky, Ellis, and Bethune of General Motors requested in friendly manner from Governor of Santiago and willingly granted on March 20th, the day on which Kaminsky was assaulted. Foreign Minister was also informed. Saturday night I thanked the Governor for his action and indicated my continued interest in the protection which he had accorded. He explained that a policeman had been assigned for the protection of each of the three men menaced. Details of the assault have already been sent by air mail. Local representatives of General Motors say this morning that they are entirely satisfied with the protection granted.

CULBERTSON

325.1121 Bethune, Larry K./25: Telegram

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

SANTIAGO, April 1, 1931—midnight.
[Received April 2—2:47 a. m.]

33. Referring to my telegram No. 32, April 1, 6 p. m.[21] Following is a suggested translation of the note from the Foreign Office received at the Embassy tonight:

"I have the honor to refer to notes numbered 586[22] and 581 [*591*][23] in which Your Excellency, in connection with the arrest of the Manager of the General Motors Acceptance Corporation, Mr. L. K. Bethune, informs me that the system of incommunication is not recognized

[21] Not printed.
[22] *Ante*, p. 932.
[23] See telegram No. 15, March 27, 6 p. m., to the Ambassador in Chile, p. 934.

under the jurisprudence of the United States, and therefore, when an American citizen is held incommunicado abroad, the policy of the Government of Your Excellency is to ask that his diplomatic and consular representative and his lawyer may see him to the end that the necessary measures may be taken to safeguard his interests and his defense.

Your Excellency adds 'that of course it was not its intention to infer, even by implication, that American citizens in Chile are not subject to Chilean laws.'

In reply I have to reiterate to Your Excellency what I said verbally in our first conversation which preceded the notes of Your Excellency referred to.

Incommunication in Chilean penal law is a proceeding in criminal investigation and since it is a legal prerogative of the judge, he alone is competent to apply, suspend, or attenuate it, and to determine its duration. But the law at the same time insures the efficacious defense of the prisoner by providing different recourses which give an opportunity for intervention by highest courts to confirm or to revoke the decision of the judge.

In conformity with our Constitution the Executive cannot intervene in matters pertaining to the judicial power. Chilean law is obligatory for all the inhabitants of the Republic without distinction as to nationality, a principle that is even more rigorous in matters which relate direct to public and social order.

In the concrete case of Mr. Bethune, the request of Your Excellency with regard to intervention by my Government was not justified under international principles, and the manner in which the judge applied the Chilean laws of procedure could be qualified or corrected only by the respective higher court.

In accordance with this juridical criterion which has been the invariable standard of this Ministry and with which the Government of Your Excellency has always agreed, I must reiterate to Your Excellency that my Government has not been able to accede to the request made by Your Excellency.

In so informing Your Excellency I have pleasure in renewing the assurances of my highest and most distinguished consideration."

I see in this note an appeal to South American prejudice against the foreigner and defense of antiquated practice. Several of my colleagues do not admit that they can be refused communication with their nationals. I believe that our position has been sound from the beginning and that Chilean note cannot be defended under international law.

CULBERTSON

325.1121 Bethune, Larry K./27 : Telegram

The Acting Secretary of State to the Ambassador in Chile (Culbertson)

WASHINGTON, April 2, 1931—2 p. m.

18. Your 33, April 1, midnight. Minister for Foreign Affairs states that incommunicado in Chilean penal law is a proceeding in criminal

investigation and since it is a legal prerogative of the Judge, he alone is competent to apply, suspend or attenuate it and to determine its duration, and that the Executive can not intervene. Endeavor ascertain whether Bethune was held incommunicado by order of the Judge or by order of the police authorities. If the latter, the Department may want to question statement by Minister of Foreign Affairs that the Executive can not intervene in such matters.

CARR

325.1121 Bethune, Larry K./26 : Telegram

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

SANTIAGO, April 2, 1931—7 p. m.
[Received 8:25 p. m.]

35. Department's telegram 18, April 2, 2 p. m. Bethune's detention incommunicado was by order of the judge.

CULBERTSON

325.1121 Bethune, Larry K./32 : Telegram

The Acting Secretary of State to the Ambassador in Chile (Culbertson)

WASHINGTON, April 6, 1931—6 p. m.

21. Department's 20, April 3, 4 p. m.[24] Chilean Ambassador suggested to the Department the withdrawal of your two notes regarding Bethune and of the Chilean reply quoted in your No. 33 of April 1, midnight. He was informed in reply that the Department was not in favor of withdrawing the notes but that provided the Chilean note is not published the Department would then agree not to reply to that note and would consider that phase of the matter terminated. Department again made clear that should the Chilean note be published this Government would then have to make a public statement regarding the matter. The Ambassador was also informed that the fact that we agree, under the stipulated conditions, not to answer the last Chilean note does not mean that the Department is no longer interested in the Bethune and Kaminsky cases, but that on the contrary the Department is very interested in seeing the whole matter satisfactorily settled.

The Chilean Ambassador is cabling his Government in this sense and urging that it agree thereto. The Ambassador indicated that he was afraid some publicity might be given by the President and he hoped the matter could be arranged on the above basis as soon as President Ibañez returns to Santiago tomorrow afternoon.

CARR

[24] Not printed.

325.1121 Bethune, Larry K./46

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

No. 845 SANTIAGO, April 21, 1931.
[Received May 2.]

SIR: I have the honor to refer to this Embassy's despatch No. 819 of March 27, 1931,[25] with special reference to enclosure No. 6, and to report that the Chilean Supreme Court, on April 21st, and by a vote of four to one, denied the appeal of Brusadelli y Manni from the decision of the Court of Appeals. By the latter decision, made on March 21, 1931, the Court of Appeals acted favorably on the appeal (similar to habeas corpus) presented by the attorneys for General Motors on behalf of Mr. Bethune, who was released and whose bond was cancelled.

This decision of the Supreme Court confirms the justice of the Embassy's protest against the illegality of the arrest of Mr. Bethune and of his being held *incomunicado*.

Respectfully yours, R. HENRY NORWEB

[25] Not printed.

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